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Coordinating Regional and Multilateral Financial Institutions

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Abstract

Recent crises and the expansion of international financial arrangements have dramatically elevated the importance of cooperation between regional institutions and the International Monetary Fund (IMF). While the case for coordination between regional and multilateral institutions is generally accepted, however, the need to organize it on an ex ante basis is not fully appreciated. The relatively successful cooperation among the European Commission, European Central Bank, and IMF on the European debt crisis is not likely to be easily replicated in joint programs for countries in other regions, moreover, and the costs of coordination failure could be very large. Recent innovations at the IMF, on the other hand, present opportunities for cooperation with regional facilities. This paper reviews (1) the case for organizing cooperation on an ex ante basis, (2) the policy and institutional matters that should be coordinated, (3) how East Asian arrangements in particular and the IMF might cooperate, and (4) an Interinstitutional Agenda of general principles, modalities, and institutional recommendations. The G-20, member states, and institutions themselves should address this agenda proactively.

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INTRODUCTION

Since its creation, the International Monetary Fund (IMF) has coexisted with various bilateral, regional, and other multilateral financial facilities. These have ranged in character from the European Payments Union (EPU) established in the 1950s to the network of bilateral swap arrangements established by the Group of Ten (G-10) central banks during the 1960s and East Asia's current Chiang Mai Initiative Multilateralisation (CMIM). The IMF and its member states are thus fairly accustomed to cooperating with other arrangements and institutions in financial rescues in various regions, but they have done so in an ad hoc rather than systematic fashion over the years.

With the progressive increase in the frequency and severity of financial crises, expansion in the size and number of regional financial arrangements, and increase over the last decade in the level of international reserves, which can be placed at the disposal of bilateral and regional facilities, the necessity and complexity of coordinating these facilities with the IMF increases dramatically. These developments raise the stakes on policy issues associated with coordination—such as the relative contributions of regional and multilateral facilities, conditionality, terms, and negotiating modalities—and institutional issues—such as channels of communication, representation, and even membership. Given its momentum, regionalism probably poses the most important long-term challenge to the IMF and its role in the international monetary and financial system.

Three events make this agenda for cooperation between regional financial arrangements and the IMF particularly important at the moment. First, the Association of Southeast Asian Nations plus China, Japan, and Korea (ASEAN+3) has made the CMIM operational and is creating a surveillance unit based in Singapore in 2011. Second, the financial crisis in Europe's Southern tier led to a rescue package for Greece of unprecedented size and the establishment of a new, nearly $1 trillion arrangement; that arrangement was then activated for Ireland in autumn 2010. Both the Greek and Irish programs mix European and IMF financing, and the stakes in mixed rescue packages have now become enormous. Finally, the IMF has conducted a review of its own financial facilities, expanded their scope, and launched an effort to engage regional financial arrangements through them.[1]

It is important to recall that the member states lead the process of creating multilateral and regional financial facilities and amending them. Very few national governments have been content with relying solely on the IMF for balance of payments and other official financing. Most have engaged or contributed to bilateral, regional, and plurilateral financial facilities as well, including the large members with substantial weight in the IMF, such as the United States, Britain, France, Germany, and Japan. But when

1. On the IMF's outreach to regional arrangements, see IMF, Seminar on Regional Financial Safety Nets, at http://www.imf.org/external/np/seminars/eng/2010/spr/index.htm; Goretti, Lanau, and Ramakrishnan (2010); Giorgianni (2010); and Moghadam (2010).

establishing new financial facilities or amending existing ones, these governments often gave short-shrift to, and sometimes ignored, the consequences of creating one facility for its older siblings.

The members of the Group of Twenty (G-20) hold 65.8 percent of the quotas and 64.7 percent of the votes of the IMF. At the same time, almost all of them participate in a bilateral or regional financial arrangement; one member, the European Union, is itself a regional organization that operates several financial arrangements. As essential players at all these levels, the members of the G-20 are best situated to mandate cooperation among them. Getting the relationship between regional and multilateral financial facilities right is critical to the effectiveness of global governance, moreover, and to successfully dispatching the recent economic crisis. The subject is thus an appropriate agenda item for the G-20 finance ministers' meetings and leaders' summits.[2]

In this paper, first, I briefly review the experience with recent joint programs that motivates this analysis. Second, I review the case for cooperation between regional financial institutions and the IMF. Third, I enumerate the specific issues—both policy and institutional—that arise when mixing regional with multilateral finance. Fourth, I compare the more important regional financial arrangements with respect to their posture toward the IMF. Fifth, I examine the relationship between the IMF and East Asian financial arrangements in particular, enumerating proposals for cooperation between them. I conclude by proposing an Interinstitutional Agenda of basic principles for organizing region-IMF cooperation, specific guidelines for a code of conduct, and institutional reforms. Such recommendations can guide the design and evolution of institutions at both levels.

The position advanced here supports both financial regionalism *and* multilateral norms and rules for regional arrangements. My argument thus occupies a middle ground between multilateral purists, who tend to privilege the IMF as the dominant, if not the exclusive, international instrument for fighting financial crises,[3] and unbridled regionalists, who tend to promote regional arrangements unfettered by the IMF or multilateral rules.[4] Both the IMF and regional financial arrangements are here to stay; a more reliable groundwork must be laid for their mutual coexistence and cooperation.

The ultimate objective of the present exercise, to be clear, is to secure the economic and financial stability of member states and the international economic system. The prerogatives of multilateral and regional institutions might be of intense interest to officials in these organizations and the member states,

2. The Korean presidency of the G-20 placed the subject on the agenda, the French presidency continues to pursue it, and the Camdessus Report on the Reform of the International Monetary System has reiterated the need for progress (Camdessus 2011, suggestion 12, p. 12).

3. Truman (2010), for example, strongly favors primacy for the IMF.

4. Simon Johnson seems unqualified in his advocacy for an alternative to the IMF ("An IMF Just for Emerging Markets," *Business Week*, October 8, 2009). Sussangkarn (2010) and Kawai (2009a, 24–25), among others, champion an Asian Monetary Fund that could abandon the requirement that CMIM lending be linked to the IMF.

and realism dictates sensitivity to these concerns, but securing or expanding bureaucratic turf is not the purpose of this paper. Cooperation between the IMF and regional institutions is thus advocated in order to foster stability. Proposals for innovative facilities and policies should be tested against this metric.

A word about those topics that fall outside the scope of this study is in order. While this paper addresses conflict and cooperation between regional financial facilities and the IMF, it does not examine the normative case for either regional or multilateral institutions *per se*. It is premised on the conviction that the case for both is strong. Nor does the paper examine the broader issues of regional integration, reform of the IMF beyond the connection to regionalism, and global governance generally. These topics are the subject of numerous other studies.[5]

RECENT EXPERIENCE

This study is inspired by a string of cases over the last decade and a half that have mixed bilateral, regional, and IMF funds in financial rescue programs (see appendix A). While successful, these programs raised important questions about cooperation and the division of labor across the financial facilities at the three different levels. At the outset of the 1997–98 Asian financial crisis, the Japanese Ministry of Finance famously advocated the establishment of an Asian Monetary Fund (AMF) that would not have included the United States and could have displaced the IMF from the region. As a substitute for the AMF proposal, which was not adopted, East Asian governments launched the Chiang Mai Initiative (CMI) in 2000 and, as mentioned, created the CMIM in 2010. However, the CMIM retains the "IMF link"—which requires borrowers to negotiate a program with the IMF in order to obtain most of the regional funds—and it has not been activated. How ASEAN+3 would coordinate any activation of the CMIM with the Fund in practice remains vague and untested.

Meanwhile, the recent global economic and financial crisis witnessed a series of new programs in which IMF funding was mixed with regional and bilateral assistance, first principally in Central and Eastern Europe, then in Greece and Ireland. The Latvian program is particularly instructive because it is a case where the Fund differed with the regional partner, the European Union, yet the conflict was successfully resolved.. When capital withdrawal became pronounced, Latvian authorities reportedly approached the IMF. European officials objected that Latvian officials were obligated to consult with them prior to such an approach and, once negotiations were under way, objected to the IMF's proposed devaluation of the lats.[6] Maintaining the peg to the euro required considerably greater austerity and a

5. Reform of the IMF and the evolution of the G-20 are examined in Truman (2010), among a number of other places.

6. The European Union's directive establishing the Balance of Payments facility requires consultation with the Economic and Financial Committee before approaching the IMF and Latvia's membership in the Exchange Rate Mechanism II (ERMII) established the peg to the euro as a common policy of the European members, changes in which thus require a common decision. By contrast, Hungary and Romania were not members of the ERMII.

much larger financing package than under the Fund's original scenario. The IMF relented on the exchange rate condition and agreed to tighter fiscal and wage conditions, while the Europeans agreed to contribute the lion's share of the financing through the European Union's Balance of Payments Facility (€3.1 billion) and bilateral assistance from the Czech Republic, Poland, and the Nordic central banks (appendix A; Åslund 2010). The IMF also cooperated with the European Union on programs for Hungary and Romania and with bilateral supporters on a program for Iceland.

The 2010 Greek program multiplied the stakes in regional-multilateral financial cooperation. Whereas the European Union could use the Balance of Payments Facility for members that had not yet adopted the euro, by deliberate design under the Maastricht Treaty Europe entered the recent crisis without an instrument to support financial stability in members of the monetary union. As Greece slid toward crisis in late 2009 and early 2010, the initial reaction of some European officials was to attempt to solve the problem solely "within the family," that is, without the financial assistance of the IMF. By late March 2010 it had become apparent that was not practically feasible and Greece soon launched negotiations with the IMF, European Commission, and the European Central Bank (ECB). Greece's package, announced in early May, provided for €30 billion from the IMF and €80 billion in bilateral loans from the 15 euro area partners, for a total of €110 billion—the largest ever international financial rescue package (appendix A). Cooperation on the design and negotiation of the package was remarkably effective at the staff level, as it had generally been on the Central and Eastern European programs; the concern for the future would be for cooperation at the political level if the Greek program took a turn for the worse and required debt restructuring.

Concerned about contagion to other countries within the euro area, including Portugal, Spain, Ireland, and Italy, European officials launched the European Financial Stabilization Mechanism (EFSM) and European Financial Stability Facility (EFSF) simultaneously with the Greek program. Hoping to reverse the deterioration in market confidence once and for all, the finance ministers and heads of government set the total for the EFSF and EFSM together at €500 billion. Combined with a presumptive IMF contribution of €250 billion, the total available to the Southern tier was to be €750 billion, or roughly $1 trillion.[7] These measures were agreed to at the Ecofin meeting that Spanish Finance Minister Elena Salgado chaired; she announced the IMF commitment at her press conference at the conclusion of the meeting. However, there is no institutional mechanism for the Fund to commit itself in advance to a hypothetical contingency, much less one of such an unprecedented magnitude. IMF Managing Director Dominique Strauss-Kahn was rhetorically supportive and the Fund is inclined to work jointly

7. The size and speed of the IMF contributions to the Greek program and, as announced by European officials, further contingencies in Southern Europe generate charges of pro-European bias from some analysts sympathetic to Asia. See Kawai (2010); Devesh Kapur and Arvind Subramanian, "Wanted: A Truly International Monetary Fund," *Forbes*, March 29, 2009.

with European authorities in such contingencies, but the Executive Board would not decide the size and nature of any IMF contribution until it receives a request from the country concerned and negotiates the program.

The new European arrangements were mobilized for the first time for Ireland in late 2010 jointly with an IMF program. The European Union through the EFSM, the euro area member states through the EFSF, and the IMF through the Extended Fund Facility (EFF) each contributed €22.5 billion. Combined with €17.5 billion of Ireland's own liquid resources, the package totaled €85 billion. In early 2011, however, a new Irish government sought to renegotiate the interest rate on the European loans and reopened the possibility of imposing a "haircut" on the holders of senior debt of Irish banks—sensitive matters of considerable debate among its official creditors.

European leaders simultaneously agreed to create a permanent replacement for the (temporary) EFSF and the EFSM, which they named the European Stability Mechanism (ESM), and intended to ratify it as a limited change to the European treaties. The ESM, if adopted, would in many respects provide the functional equivalent of a European Monetary Fund. Nonetheless, the ESM proposal provides for continued involvement of the IMF, for example, in surveillance, program design, and the triggering of collective action clauses in sovereign bond contracts.[8] As of this writing, European leaders were negotiating the broader package of fiscal and structural agreements with which the ESM might be adopted.

The European experience raises two points. First, the region with the best-developed regional institutions, including a common currency and elaborate regional surveillance mechanism, was not sufficiently equipped to deal with a major financial emergency among one of its member governments. This should give pause, to say the least, to officials in other regions who want to chart a long-term path to autonomy from the IMF. ASEAN+3 in particular must realize that, although their surveillance mechanism, the ASEAN+3 Macroeconomic Research Office (AMRO), is scheduled to be launched soon, it is unlikely to approach the capacity needed to delink from the IMF with confidence as presently constituted.

Second, despite having reluctantly turned to the IMF in the heat of the Greek crisis and incorporated a continuing role for the Fund in the ESM, several European officials regard this necessity as an embarrassment and wish to build the institutional infrastructure within the euro area that will someday obviate resort to the Fund. Such a movement would have substantial implications for (a) Europe's relationship to the IMF and (b) other regions' aspirations for similar regional monetary funds. However, European governments generally do not acknowledge, or perhaps even realize, that disallowing euro area member states from tapping the IMF would eliminate the functional basis for preserving

8. European Council, Conclusions of the European Council, December 16–17, 2010, Brussels, January 25, 2011.

separate national memberships in the institution. For the purposes of the IMF, these countries would have completely transferred their authorities to the euro area; joint membership in the IMF would be the logical consequence. Membership for the euro area as a whole might be desirable—as I have argued (Henning 1997)—but European governments could fail to draw the logical conclusion, which would weaken the IMF and its governance.

THE CASE FOR COOPERATION BETWEEN THE IMF AND REGIONAL FACILITIES

Arguments for cooperation between regional financial arrangements and the IMF arise at two levels. The first level comprises arguments for interinstitutional cooperation in principle; the second level comprises rationales for organizing such cooperation specifically on an ex ante rather than an ad hoc basis. The general principles of cooperation are fairly broadly understood, but the case for organizing it on an ex ante basis is not yet widely accepted and deserves greater appreciation. This section considers both sets of arguments.

The case for cooperation in principle between regional financial arrangements and the IMF rests on four enduring rationales.[9] First, the existence of multiple institutions lends itself to forum shopping and institutional arbitrage.[10] Competition among institutions might be desirable in some areas, but this does not extend to specification of the adjustment measures that might be necessary in country programs. Coordination is necessary to prevent institutions from attaching conflicting conditions to their financial support. Second, while some redundancy might be desirable in the international financial architecture, duplication should be deliberate and minimized. Third, multiplicity of financial facilities raises the possibility that what one contributes might be removed by the other facility. Interinstitutional coordination is necessary to ensure that resources provided at one level are additional rather than a substitute for resources provided at the other level.

Fourth, there are mutual gains to be derived from division of labor and specialization along lines of comparative advantage at the two levels. Whereas regional institutions might have better local knowledge and ownership, for example, global multilateral institutions might be less vulnerable to backlash against austere conditionality. For a region that relies on unanimous approval of members by popular referenda for projects of integration, imposing domestically unpopular policy conditions might be politically dangerous however necessary they might be in economic terms. In such cases, the IMF might have a clear comparative advantage in specifying macroeconomic conditions on political grounds as well as expertise.

9. See, among others, IMF, "The Fund's Mandate—Future Financing Role," background staff paper, March 25, 2010, paragraphs 34-36; Eichengreen (2006, 32–33); McKay, Volz, Wölfinger (2010); Henning (2002).

10. Displayed by Iceland, Pakistan, and Hungary in autumn 2008, for example.

The relatively successful cooperation that the IMF and European institutions have recently exhibited was achieved on an ad hoc basis. Precedents might set a pattern and leading states might referee disputes, as in the recent cases in Central and Eastern Europe, but bilateral, regional, and multilateral partners hammered out the terms of cooperation anew in each instance. The IMF and regions have muddled through, generally finding a modus vivendi that produced satisfactory cooperation (though not necessarily satisfactory economic outcomes) on joint programs. Several considerations suggest, however, that this ad hoc approach is becoming increasingly risky over time.

First, Europe offers an example of indecision, temporary though it was, over region-IMF cooperation. European authorities had no regional instrument with which to respond to financial crises within the euro area. When the Greek crisis struck, European authorities struggled over whether to respond on a regional basis or jointly with the IMF. The delay in turning to the IMF during February–April 2010 was expensive: The size of the Greek package required to calm the markets rose from about €30 billion to €110 billion and a package that was roughly equivalent in size to the US Troubled Asset Relief Program (TARP, which was $700 billion) became necessary in an effort to stem contagion elsewhere in the euro area. The episode illustrates the potential costs of cooperation failure and the value of ex ante arrangements among institutions.

Second, the successful cooperation between the Fund and the European Union in the crises in Central and Eastern Europe, Greece, and Ireland is not likely to transfer easily to cooperation between the IMF and other regions. Europe is well represented in the IMF—many would argue that it is overrepresented even after recent reforms—and Europeans dominate the Executive Board numerically. The present managing director not only is a European but was integrally involved in the construction of the institutions of the monetary union as the finance minister of France. Both factors greatly facilitated EU-IMF cooperation in these cases but also distinguish Europe from the other regions.

Finally, the frequency and severity of crises are likely to persist over the long term, and domestic political resistance to large financial packages and the adjustment conditions attached to them could well constrain policymakers who would be otherwise disposed to interinstitutional cooperation. The prospect that regional and multilateral institutions could fail to coordinate in the heat of a crisis and thus fail to stem (or even contribute to) financial turmoil—a "train wreck" scenario—is likely to increase over time, reinforcing the case for ex ante arrangements.

Ultimately, the need for cooperation between regional and multilateral financial institutions inheres in their origins. Member states have created these facilities and institutions to serve their common purposes in fostering international economic openness. They have done so, however, often without regard to how the two levels should relate to each other. There is no formal hierarchy among the international and regional organizations; nor is there an explicit set of rules or formal conventions specifying how the

IMF should relate to regional organizations.[11] Norms and informal conventions might apply but exercise relatively weak guidance for each new joint financial package and are subject to renegotiation. The most influential member states thus broker coordination in an ad hoc fashion as the need arises, in consultation with the senior management of the institutions. Satisfactory outcomes thus hinge on agreement among the powerful members. The process by which this is achieved is generally not at all transparent.

ISSUES FOR COOPERATION

Several points of potential conflict arise between regional financial arrangements and the IMF and define the agenda for cooperation. Those points fall under the headings of (a) policy issues—specific elements of individual country programs that should be reconciled—and (b) institutional issues—the mandates, governance, and memberships of the regional arrangements and the IMF. This section highlights the policy issues, enumerates the institutional issues, and identifies a spectrum of possibilities for region-IMF cooperation.

Policy Issues

Several specific issues arise when regional and multilateral arrangements are called upon to work together. Though these issues are fairly evident, the solutions can be complex and agreement on them cannot be taken for granted.

Contributions. The first question that arises in a joint financial rescue by the IMF and a regional financial facility is the size of the overall package and the relative contributions of the participants. Sometimes the IMF takes a dominant share; in other cases the IMF takes a minority share. The mix has ramifications for (a) the adequacy of the package, (b) relative influence of the contributors, and thus (c) conditions attached to the program. There is a clear sense that "he who pays the piper calls the tune."[12]

Terms of Assistance. The maturity, interest rate, currency, and possibility for renewal are standard elements of loans and other financial arrangements. These have ramifications for which creditor would be drawn upon most heavily and be repaid first and most profitably. The terms do not have to be uniform, but the collective action problems must be addressed. The same can be said for provisions relating to collateral, default, collective action clauses, and recourse.

11. Article XXIV of the General Agreement on Tariffs and Trade (GATT) and Article 5 of the General Agreement on Trade in Services (GATS) provide such rules in the international trade regime.

12. See, for example, Gould (2003).

Policy Conditionality. The policy adjustments required of the borrower can be highly controversial. Will there be one global standard for adjustment and financing or several regional standards?[13] Which institution, the IMF or the regional facility, sets the policy conditions in joint packages? How are conflicts over conditionality resolved? What is the mechanism for resolving them?

Negotiating Modalities. How is the mission that is sent to negotiate the program with the borrower composed? Who conducts the analytical work on the spot? How is a joint position, if there is one, prepared? Who takes the lead in the actual negotiations? Recent experiences with IMF/EU programs in Central and Eastern Europe, Greece, and Ireland provide some ad hoc answers to these questions. Whether these are positive models or negative models depends on one's particular perspective within these organizations.

Transparency. International financial facilities differ greatly with respect to disclosure regarding terms of programs and institutional decision making. In joint operations, whose transparency protocol should be followed, that of the most or least transparent institution? My answer would be the most transparent; but practice has often followed the least common denominator.

Bailouts of Regions. The question arises of whether one official creditor would be taking on the exposure of other official creditors over the course of a crisis. If a regional facility mishandles an operation, the IMF could be called upon to take over the program or, if the crisis has become pan-regional in the meantime, rescue multiple countries in the region. At that point, any refusal by the IMF could endanger systemic stability and generate opposition among members, placing the IMF in a disadvantageous position. Central banks, finance ministries, and the IMF alike are thus concerned about being excluded from decision making during an initial stage of a rescue and then, when the crisis has become more acute, inheriting the operation in a subsequent stage.[14]

Bilateral and regional creditors have sometimes extended bridge financing and been subsequently reimbursed with the proceeds of an IMF loan. Bridge financing should be distinguished from an inherited rescue, however. An expectation that the IMF and the borrower will be agreeing upon a program accompanies the case of bridge financing and the Fund specifies requisite policy conditions at the outset. In the inherited-rescue scenario, by contrast, the IMF would not have the opportunity to

13. A question posed by Truman (2010, 6).

14. Article VI, section 1 of the IMF's Articles of Agreement state, "A member shall not use the Fund's general resources to meet a large or sustained outflow of capital . . .." This provision could in principle be used to block the use of a drawing to repay a regional fund. But the Executive Board would be unlikely to invoke this clause if doing so could create or perpetuate a systemic problem.

design the program at the outset, giving rise to a take-it-or-leave-it proposition that the Fund could have difficulty refusing.

Exit sequencing can become a barrier to regional-multilateral coordination even in cases where the rescue is successful. For example, the maximum rollover duration of the CMIM swaps (two years) is shorter than the standard IMF Stand-By Arrangement (SBA) (three-and-a-quarter to five years). Some ASEAN+3 officials might be tempted to conclude that, should the CMIM be activated with the IMF link, their credits through the CMIM would be redeemed prior to the IMF's.[15] But this would be a misunderstanding, as the Executive Board would almost certainly insist that any regional credits be renewed until they and IMF credits can be repaid simultaneously.[16] Doing so would require a renegotiation of a key provision of the CMIM, however. Again, this type of issue should be discussed and resolved in advance of, rather than in the heat of, a financial crisis.

Seniority. Relatedly, situations of mixed finance naturally raise the question of the relative seniority of the creditors. In rescue packages involving the IMF, the Fund has always been at the head of the queue; it has held "preferred creditor status." But this seniority is not conferred by the IMF Articles of Agreement; rather it has been enshrined by convention with the support of its key members, borrowers, and the deference of private and official bilateral creditors.[17] The Executive Board and management of the Fund have therefore had to be vigilant in extracting this provision from the parties to rescue packages in each instance. It should not be taken for granted that other official creditors, including regional financial facilities, will always defer to the IMF on this matter.[18] Conflicts over preferred creditor status could consume valuable time and energy during negotiations in a financial crisis.

Institutional Issues

Beyond the nitty-gritty of how to organize a financial rescue, several institutional questions arise in the relationship between regional financial arrangements and the IMF. The first has to do with organization for external representation. Does the region form a common position on external matters and, if so,

15. During the 1960s, there were several instances when G-10 central bank swaps were redeemed with borrowing from the IMF (Cooper 2006, 6–8; Borio and Toniolo 2006).

16. See, for example, Mark Allen and Raghuram Rajan, "Reserve Pooling Arrangements and the Fund," IMF memorandum to the managing director and deputy managing directors, Washington, March 21, 2006.

17. Martha (1990), Rieffel (2003), and Gelpern (2005).

18. The IMF's status relative to Europe's new EFSF is preserved; see Nina Koeppen, "Klaus Regling Explains the EU's Stability Fund," *Wall Street Journal*, July 13, 2010, available at wsj.com; EFSF, "The European Financial Stability Facility (EFSF)—FAQ," available at http://www.efsf.europa.eu/attachment/faq_en.pdf. The Eurogroup finance ministers have taken a similar posture with respect to the relative status of the proposed ESM and the IMF, declaring in November 2010, ". . . an ESM loan will enjoy preferred creditor status, junior only to the IMF loan." European Council, Conclusions of the European Council, December 16–17, 2010, Brussels, January 25, 2011, Annex II, paragraph 6.

through what governing body and decision rule? Who represents the region in the multilateral institution (IMF) and vis à vis governments outside the region? A similar set of questions applies to the IMF: How does the IMF receive the representation of the regions and how does it act on proposals from them? Through what instruments and procedures can the IMF strike agreements with regions?

A second set of institutional questions relates to voting and governance. We would expect that representation of countries in the IMF would facilitate the Fund's cooperation with their region. Specifically, the weight of member states from a particular region in the quota and voting structure of the IMF, and the presence of officials from the region in the Fund's senior staff, is likely to affect the Fund's cooperation with the region. We have already observed that EU-IMF cooperation was facilitated by the numerical dominance of Europe on the Executive Board and the regional identity of the managing director. This need not be a question of favoritism, but rather a matter of knowledge of the region inside the IMF, and vice versa, multiplicity of points of contact at the working level, and convergence of analytical views.

A third set of questions relates to eligibility for membership. Presently, membership in regional financial arrangements and the IMF is restricted to member states. One might reasonably ask whether membership could be expanded to include regional institutions in the IMF—as the European Union is a member in its own right in the WTO—and the IMF in regional organizations.[19] Observer status is common in international organizations and can be quite useful but generally does not allow institutions to draw on the resources of the organization in question.

Spectrum of Cooperation

There is a spectrum of possible ways in which regional financial facilities can cooperate with the IMF and vice versa. These range from technical to policy and then to institutional modalities for cooperation and can be arrayed in order of the degree to which the two institutions sacrifice autonomy. At the less ambitious end of the spectrum, where each institution retains maximum independence, would be IMF advice and technical assistance on the establishment of regional facilities and regional surveillance mechanisms. Periodic or regular IMF contributions to regional surveillance exercises, through for example presentations of Fund staff to meetings of regional officials, are also at the "easy" end of the spectrum. Parallel financing arrangements—where for example the regional financial arrangement ties its lending

19. Henning (1997, 50–57; 2006), among others, argues that Europe's monetary union should be given membership in the IMF. However, eligibility for membership of the region in the multilateral institution should be conditioned on the region's decision rule—that it establish its common position by majority rather than unanimity or consensus. Under unanimity or consensus, one country or a small group of countries could exercise a veto over important decisions in the IMF by virtue of their blocking position in the region—the "double-veto" problem. This caveat deserves more attention than it often receives.

to Fund program or vice versa—are more ambitious. Contributing partnerships, where one institution contributes funds that are lent on terms negotiated by the other, are substantially more ambitious still. Providing for membership of the region in the IMF, or vice versa, would represent the ambitious end point of the spectrum. Consider these as we discuss, later below, the possibilities by which the IMF might cooperate with East Asian financial facilities and surveillance.

COMPARISON OF REGIONAL FACILITIES

More than six decades of institution building have generated a substantial list of regional financial arrangements, ranging from those with close links to the IMF to those without. These arrangements vary considerably in size, mandate, and effectiveness and are compared in detail elsewhere.[20] The particular relationship between these arrangements and the IMF is of primary interest here and is summarized in table 1. Consider for a moment the regional financial arrangements in Europe, the Americas, and East Asia below.

The members of the European Union have operated balance of payments and short-term financing facilities since the 1970s. The Balance of Payments Facility offers medium-term financial assistance for non-euro-area countries, is presently endowed with €50 billion, and has loans outstanding to Latvia, Hungary and Romania. The short-term and very-short-term facilities supported the European Snake in the Tunnel in the 1970s and the European Monetary System in the 1980s and 1990s and the very-short-term facility supports the present Exchange Rate Mechanism II (ERM II). While reinforcing European integration, both sets of arrangements substantially circumscribed the financing and surveillance role of the IMF within Europe.[21] Member states are formally obligated to consult with the European Union before seeking financial assistance from the IMF or other international financial institutions.[22] While balance of payments loans have sometimes been made without IMF cofinancing, the recent programs have been linked to Fund programs.

In the wake of the 2010 Greek crisis, the European Union added a European Financial Stabilization Mechanism, endowed with €60 billion available to members both inside and outside the euro area, and the European Financial Stability Facility, endowed with €440 billion, designed for members of the euro area only.[23] The EFSM is a permanent facility, reviewed every six months, whereas the EFSF is slated for

20. See, for example, Henning (2002, 49–62); McKay, Volz, and Wölfinger (2010); Lombardi (2010).

21. Truman (2010) suggests that it was a mistake, in retrospect, for the rest of the Fund membership to accede to the Fund's diminished role in Europe.

22. EU Council Regulation No. 332/2002, Article 2, available at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:053:0001:0003:EN:PDF.

23. Buiter (2010) contains a useful overview of the new European arrangements. See, also, "EFSF Framework Agreement," Paris, June 7, 2010; Grand Duchy of Luxembourg, "European Financial Stability Facility," articles of incorporation, Luxembourg, June 7, 2010.

closure in June 2013 or until outstanding loans are repaid, whichever is later. As a matter of policy, both the EFSM and the EFSF would cooperate with the IMF in any activation in the near future, a provision strongly reinforced by domestic political imperatives of some member states. But neither facility is legally bound to lend only in parallel with the IMF and, although the ESM proposal retains an important role for the IMF, a number of officials in Europe continue to harbor independence from the Fund as a long-term aspiration.

Several arrangements exist for the benefit of countries in the Western Hemisphere, including the North American Framework Agreement (NAFA) and the Latin American Reserve Fund (LARF or FLAR). Although not a regional arrangement, the Exchange Stabilization Fund (ESF) operated by the US Treasury has been the most active nonmultilateral facility within the region. The vast majority of the more than 115 credit arrangements entered into by the ESF since its creation in 1934 have been for the benefit of Latin American countries, the most substantial of which was the $20 billion commitment to Mexico in 1995 (Henning 1999, table 1). US law directs the secretary of the Treasury to use the account in a manner "consistent with the obligations of the Government to the International Monetary Fund" and the Treasury secures a letter from the managing director certifying borrowers' policies in each instance (Henning 2002, 66–68). But the secretary is not restricted to using the ESF only in concert with IMF financing.

Despite being inspired in substantial measure by antipathy toward the IMF in East Asia, the CMI and CMIM are more explicitly linked to the IMF than any of the other important regional facilities. Members of ASEAN+3 must negotiate an IMF program to draw beyond 20 percent of their CMIM allotment, a provision known in the region as the "IMF link." Although the first 20 percent can be significantly larger than the borrower's quota in the IMF, it is likely to be at best only a first tranche in a much larger program, given the volume of financing needed in recent crises. A number of Southeast Asian officials would like to reduce or eliminate the IMF link, and ASEAN+3 reviews it periodically, but the likely creditor countries continue to support it.

EAST ASIA AND THE IMF

ASEAN+3 made the CMIM operational in March 2010. The CMIM is a "self-managed reserve pooling arrangement," which means that foreign exchange reserves are held in separate national accounts but earmarked for contributions to financial rescue packages when the need arises and the group decides to activate. The importance of this step lies in (a) the inclusion of the low-income ASEAN countries and Hong Kong and China in these arrangements for the first time, (b) making disbursements subject to a single decision of the group as a whole rather than separate decisions of the creditor countries, and especially (c) agreement on the governing arrangements, including the relative shares of Japan, China, and

South Korea. Korean and Japanese officials subsequently proposed that the resources of the CMIM be doubled, to $240 billion, and made available on a precautionary basis.[24]

ASEAN+3 has also agreed to create an independent secretariat in 2011 in Singapore in order to backstop regional surveillance. The hope of many, distant though it might be, is that a robust surveillance mechanism will permit the CMIM to eventually lend without the borrower also negotiating an IMF program, which is now a requirement. Such a step would complete the transition of East Asian financial arrangements to an Asian monetary fund. These arrangements and their evolution over time have been examined elsewhere;[25] this section addresses the relationship between CMIM, the surveillance unit, and the IMF to examine proposals for interinstitutional cooperation that could be generalized to the IMF's relationship to other regions. Consider first cooperation in the area of surveillance, then in the area of financial support.

Surveillance

Regional surveillance of economic policy has developed gradually over more than a decade within ASEAN+3.[26] Consensus emerged only within the last few years on the creation of an independent secretariat to conduct policy reviews and on the secretariat's location. In spring 2010, it was finally decided that the new surveillance secretariat, named the ASEAN+3 Macroeconomic Research Office, will be located in Singapore.[27] ASEAN+3 finance ministers declared their intention that AMRO become operational in 2011.[28] AMRO's mandate is to "monitor and analyze regional economies, which contributes to the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM." It will collect and analyze information on the economic and financial conditions and policies of members and present its analysis to the deputies and ministers in meetings of the Economic Review and Policy Dialogue (ERPD) and the governing bodies of the CMIM. The mandate is thus limited to infor-

24. Jeung-Hyun Yoon, remarks to the Conference for the Future Vision of ASEAN+3 Financial Cooperation, Seoul, Republic of Korea, February 11, 2011; "Japan to Propose Asian Precautionary Credit Line at G-20," Jiji Press English News Service, February 17, 2011.

25. Sussangkarn (2010); Henning (2002, 2009a, and 2011); Grimes (2009 and 2011); Hamada, Reszat, and Volz (2009); Kawai (2009b); Capannelli and Filippini (2009); Park and Wyplosz (2008); Kapur and Webb (2007); Eichengreen (2002); Amyx (2008); Lee (2006); Park and Wang (2005); Rajan and Sirigar (2004); ADB (2004); Cohen (2003); Bergsten and Park (2002); Bird and Rajan (2002); Kawai and Kuroda (2002); Katada (2001); Kim and Wang (2001); and Bergsten (1998), among others.

26. Contributions on ASEAN+3 surveillance include Kawai and Houser (2007), Institute for International Monetary Affairs (2005), Wang and Yoon (2002), Kawai (2009b), Henning (2009), and Takagi (2010).

27. ASEAN Finance Ministers, Joint Media Statement of the 14th Meeting, Nha Trang, Vietnam, April 8, 2010, paragraph 14, available at http://www.aseansec.org/24491.htm (accessed on August 30, 2010).

28. ASEAN+3 Finance Ministers, Joint Media Statement, Tashkent, Uzbekistan, May 2, 2010, available at http://www.aseansec.org/documents/JMS_13th_AFMM+3.pdf (accessed on August 30, 2010).

mation and analysis; it is not charged with developing proposals and submitting them to the board as is the managing director and staff of the IMF. AMRO's staff will be relatively modest in size at the outset. While ASEAN+3 officials agreed that AMRO and its director are to be "independent," the working relationships are yet to be established.

Agreement on establishing AMRO raises another set of questions about how the office will relate to a series of other surveillance bodies and mechanisms in which the members of ASEAN+3 participate. First is ASEAN itself, which has created a new Macroeconomic and Financial Surveillance Office within the ASEAN secretariat.[29] A second is the Asian Development Bank (ADB) and its secretariat, which includes the Office of Regional Economic Integration (OREI), and produces among other reports the *Asian Development Outlook*. Both have made presentations to the ERPD meetings of the ASEAN+3 deputies in recent years and are expected to assist during the establishment of AMRO as well.

A third interlocutor for AMRO is the IMF, which conducts the most robust surveillance of the 13 members of ASEAN+3 on an annual basis and makes its findings available to all of the other members. The Article IV consultations staff reports and Executive Board reviews are made available to all of the members, as of course are the Fund's *Regional Economic Outlook: Asia and Pacific*, *World Economic Outlook,* and *Global Financial Stability Report*. Although officials within the region have in the past sometimes been quietly exasperated at the lectures that they have received through these vehicles, they also receive a great deal of high-quality information about their neighbors within the region through these multilateral channels.

Against the background of IMF bilateral and multilateral surveillance, one might reasonably ask what value-added AMRO might provide. AMRO will probably be too small to replicate the work of the IMF; it would be wise to identify a division of labor. There are several possible answers to this question. AMRO could in principle (1) provide contrasting assessments of vulnerabilities within the region when the director and staff disagree with the findings of the IMF; (2) update assessments more frequently than the annual cycle for Article IV consultations by the Fund staff; (3) backstop a surveillance discussion in which Asian officials might be more candid with one another than in the presence of officials from outside the region; and (4) otherwise provide a greater sense of Asian ownership.[30]

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29. ASEAN Finance Ministers, Joint Media Statement of the 13th Annual Meeting, Pattaya, Thailand, April 9, 2009, paragraph 15, available at http://www.aseansec.org/22483.htm (accessed on August 30, 2010).

30. A recent report by the Independent Evaluation Office (IEO) suggests that, despite the assets of the IMF, there is substantial room to debate the conclusions of the Fund regarding financial soundness. The report mainly criticizes staff and the Executive Board for failing to sound alarms when warnings were necessary, rather than vice versa. See IEO, *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*, Washington, January 10, 2011.

Mindful that independence of AMRO from the IMF might be important to preserve, there are nonetheless several ways in which the two could cooperate. First, the IMF can provide technical advice during the establishment of AMRO, as Asian institutions are also likely to do. Second, the IMF can continue to brief the ASEAN+3 deputies at their surveillance discussions from time to time, as it has done in the past. Third, if AMRO is to specialize in its comparative advantages vis à vis the Fund, per above, it will have to consult with the Fund fairly intensively on the timing, sequencing, and even the substance of the Article IV consultations.

Fourth, and more deeply, Kawai (2009a) has proposed that AMRO officials be included in the Fund's Article IV surveillance missions to ASEAN+3 countries. Doing so might raise some sensitive issues, including with respect to the autonomy of AMRO's analysis, but deserves serious consideration. The IMF adapted its surveillance procedures to accommodate the bifurcation of monetary and fiscal policymaking in euro area member states and has included European officials in negotiations over programs and conditionality. AMRO officials would benefit from being similarly embedded in IMF Article IV missions and such cooperation could facilitate agreement on policy adjustments to be required as conditions for activating their respective facilities for a member.

It is useful to underscore that the development of regional surveillance has critical ramifications for the East Asia's long-term relationship to the IMF. At the outset of the CMI, Asian officials acknowledged that surveillance would have to evolve in parallel with regional financial facilities if the region were to become genuinely self-reliant. Were the region to sever the IMF link in particular, ASEAN+3 would have to first establish a robust surveillance mechanism that would allow the group to define its own policy conditionality for the CMI/CMIM. Although the effectiveness of AMRO remains to be seen, it does not appear that ASEAN+3 officials have yet devoted the resources or mustered the commitment to raise regional surveillance to this level. For the time being, it appears, the CMIM will cooperate with the IMF in any activation of its arrangements.

Cofinancing

From the beginning, any CMI disbursements would have been linked to Fund programs. While it was understood among ASEAN+3 that a plain vanilla Stand-By Arrangement constituted a "program," however, it was not at all clear whether other sorts of IMF credit arrangements could also meet that description. Could borrowings under the other "windows" of the IMF qualify? Before the IMF retired its Contingent Credit Line (CCL) in 2003, for example, several analysts proposed that ASEAN+3 agree that CCL prequalification satisfy the definition of an "IMF program."[31] This question became especially relevant when the IMF created a menu of new facilities during the 2008–2009 global financial crisis,

31. See, for example, Henning (2002, 90–91).

including the Flexible Credit Line (FCL),[32] and then enhanced the FCL and introduced the Precautionary Credit Line (PCL) in August 2010.[33] With these new facilities, the IMF has responded to the crisis with alacrity and has done so in large measure to address the preferences of East Asian members in particular. These facilities create in turn new opportunities for cooperation between the IMF and regional financial facilities, including CMIM.

Under the enhanced FCL, countries with "very strong economic fundamentals" and policies can qualify for an IMF credit line, on which they can draw at their option *without submitting to ex post conditionality*. There is no general limit on their access—the Executive Board decides on the size of the line based on the financing needs of each qualifying country—the line can be accessed for one or two years, and any drawings would be repaid over three-and-a-quarter to five years. Poland, Mexico, and Colombia have qualified for the FCL, though none of them have actually drawn on this facility.[34]

Despite informal entreaties from the IMF and other actors, however, no Asian country has formally requested FCL qualification to date.[35] I have argued that qualification for the FCL should be deemed to satisfy the ASEAN+3 requirement that disbursements under the CMIM beyond the first 20 percent be linked to a Fund program. (Henning 2009a) Such a determination by the ASEAN+3 finance ministers or deputies would (a) facilitate activation of the CMIM, (b) soften the stigma of the Fund, and (c) make the FCL more attractive to Asian members.

Another avenue for CMIM-IMF cooperation arises from introduction of a facility complementary to the FCL called the Precautionary Credit Line. During the reform of Fund facilities during the recent crisis, the Executive Board recognized a need for precautionary support for countries that did not qualify for an FCL. It thus provided for High-Access Precautionary Arrangements (HAPAs), which allowed countries to borrow under an SBA but did not obligate them to do so as had previously been the case.[36]

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32. IMF, "IMF Implements Major Lending Improvements," March 24, 2009, available at http://www.imf.org/external/np/pdr/fac/2009/032409.htm. Earlier papers relating to these innovations include Ostry and Zettelmeyer (2005) and Rajan (2006).

33. IMF, "The Fund's Mandate—Future Financing Role," public information notice No. 10/51, April 22, 2010, available at http://www.imf.org/external/np/sec/pn/2010/pn1051.htm; "IMF Enhances Crisis Prevention Toolkit," press release no. 10/321, August 30, 2010, at http://www.imf.org/external/np/sec/pr/2010/pr10321.htm.

34. See, for example, IMF, *Mexico: Arrangement under the Flexible Credit Line*, IMF Country Report no. 11/11, January 2011, available at http://www.imf.org/external/pubs/ft/scr/2011/cr1111.pdf. Mexico requested and was granted access up to 15 times its quota.

35. IMF, *The Fund's Mandate—Future Financing Role*, background staff paper, March 25, 2010, 20–24, http://www.imf.org/external/np/pp/eng/2010/032510a.pdf.

36. Three countries obtained HAPAs during the recent crisis, Guatemala, Costa Rica, and El Salvador. See IMF, *Factsheet: IMF Stand-By Arrangement*, November 23, 2009, available at http://www.imf.org/external/np/exr/facts/sba.htm. See also IMF, *Review of the Fund's Financing Role in Member Countries*, background staff paper, March 28, 2008; IMF, *The Fund's Financing Facilities for Low Income Members*, background staff paper, February 25, 2009; IMF, *GRA Lending Toolkit and*

Building on the HAPA, the PCL applies to countries "with good policies but still facing some remaining vulnerabilities," which would therefore have to commit to light ex post conditionality and be monitored. Compared to the FCL, a broader set of countries can thus qualify for a PCL. A country can receive five times its quota on approval of a PCL, with up to ten times its quota available after 12 months.[37]

With the introduction of the PCL, two questions arise: (a) whether PCL qualification should also be deemed to satisfy the link and (b) whether the Fund and CMIM could cooperate in parallel disbursements. An ASEAN+3 decision to allow PCL qualification to satisfy the link would harness the expertise and analysis of the IMF to the resources of the CMIM in a precautionary framework—a useful division of labor. In considering such a move, ASEAN+3 might be wary of the possibility of CMIM disbursing without cofinancing from the Fund, as PCL qualifying members are granted access without the obligation to draw. (The same benefit and complication arise with respect to FCL qualification.) A logical solution would be to agree that the borrower would draw on both facilities equiproportionately.

The IMF's approach of offering different facilities to different categories of countries—"tiering"—has important implications for the solidarity of ASEAN+3 and ASEAN, as it does for other regional groupings. Not all of the members of ASEAN are likely to qualify for an FCL, and some might not qualify for a PCL either. The emerging-market[38] and low-income[39] countries of Southeast Asia face different circumstances and challenges and the IMF will not be willing to treat them similarly in lending programs. These differences create a moderate hurdle to ASEAN+3 agreement on FCL or PCL qualification as satisfying the IMF link. If heterogeneous regions are to cooperate with the Fund, however, they must accept objectively based differential treatment of their members. Such differences are commonly recognized within ASEAN arrangements, though also in the different contributions and access rules under the CMIM.[40]

Officials of ASEAN+3 are examining the possibility of activating the CMIM on a precautionary basis.[41] Should they take this step, which would require overcoming any resistance to intraregional tiering,

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Conditionality: Reform Proposals, background staff paper, March 13, 2009. Concessional arrangements are reviewed in "IMF Backs New Package to Support World's Poorest during Crisis, *IMF Survey*, July 29, 2009, available at http://www.imf.org/external/pubs/ft/survey/so/2009/POL072909A.htm.

37. IMF, "IMF Enhances Crisis Prevention Toolkit," press release no. 10/321, August 30, 2010, available at http://www.imf.org/external/np/sec/pr/2010/pr10321.htm.

38. Indonesia, Malaysia, Singapore, the Philippines, Thailand, and perhaps Brunei Darussalam fall in this category.

39. Vietnam, Laos, Cambodia, and Myanmar.

40. ASEAN+3 Finance Ministers, Joint Media Statement, Bali, Indonesia, May 3, 2009, available at http://www.aseansec.org/22536.htm (accessed on August 30, 2010); ASEAN+3 Finance Ministers, Joint Media Statement, Tashkent, Uzbekistan, May 2, 2010, available at http://www.aseansec.org/documents/JMS_13th_AFMM+3.pdf (accessed on August 30, 2010).

41. "Japan to Propose Asian Precautionary Credit Line at G-20," Jiji Press English News Service, February 17, 2011.

CMIM would be able to qualify members and undertake precautionary disbursements in parallel with the IMF. Precautionary disbursement is not possible under the present CMIM agreement, however, and it will take substantial deliberation before ASEAN+3 would be likely to agree on such an important change to their regional financial architecture.

Finally, the Fund staff has also proposed a Global Stabilization Mechanism (GSM), inspired in part by the currency swap extended by the US Federal Reserve to the Bank of Korea in autumn 2008.[42] The swaps extended by the Federal Reserve were designed to help foreign central banks aid their private banks in grappling with liquidity crises in the dollar funding markets, not to address balance of payments problems directly. When the interbank market dried up after the Lehman Brothers bankruptcy in September 2008, banks turned to their central banks to re-fund their positions. The swaps extended by the Federal Reserve supplied foreign central banks with dollar liquidity, which was in turn auctioned to banks needing to refinance in dollars. The Federal Reserve extended these swaps to 14 central banks, including four emerging markets—Mexico, Brazil, Singapore, and Korea. At the peak, in early 2009, the Federal Reserve extended almost $600 billion through these swap lines.[43] The drawings were particularly effective in calming financial markets in Korea.

As is now being proposed, the GSM would similarly offer short-term liquidity in large amounts to combat a systemic or regional financial shock. To avoid loss of confidence in first movers, overcome IMF stigma, and accelerate decision making, the Fund could unilaterally offer FCLs or PCLs to multiple countries simultaneously, rather than wait for individual countries to request them, or, more ambitiously, activate a dedicated Short-Term Liquidity Line (SLL).[44] Like central bank swaps, these lines would be *conditionality-free*. Eligibility would be restricted to those countries whose instability could threaten confidence in global financial markets. But the Fund could nonetheless offer these liquidity lines to a broader set of countries than the Federal Reserve might wish to provide swaps. In this way, the IMF and leading central banks could establish a complementary division of labor.[45] When authorizing the enhancement of the FCL and introduction of the PCL, however, the IMF's Executive Board balked at

42. Previously referred to as the Multi-country Swap Line (MSL), Multi-country Credit Line (MCL), or simply "financial safety net." See, for example, Dominique Strauss-Kahn, "Listening to and Learning from Asia," *Huffington Post*, July 15, 2010, available at http://www.huffingtonpost.com/dominique-strausskahn/listening-to-and-learning_b_647534.html (accessed on August 30, 2010). See also Moghadam (2010), Giorgianni (2010), and Choi (2010).

43. The Bank of Japan was also a heavy user of the swaps. The Monetary Authority of Singapore, by contrast, did not draw.

44. An SLL would require approval by an 85 percent majority in the Board.

45. IMF, *The Fund's Mandate—Future Financing Role*, background staff paper, March 25, 2010, 26–28; IMF, *The Fund's Mandate—The Future Financing Role: Reform Proposals*, staff paper, June 29, 2010, 12–23.

the creation of the GSM. But the Board agreed to consider the GSM further and the French chair of the G-20 is keeping the proposal on the agenda.[46]

There are a couple ways in which the GSM, were it created, might relate to ASEAN+3, the CMIM, and other regional financial arrangements. As demonstrated in previous crises, financial contagion has a strong regional dimension. Some countries in East Asia, such as Japan, South Korea, and Singapore, could perhaps renew their recent swaps with the Federal Reserve, while Chinese banks are unlikely to have dollar funding needs for the foreseeable future. Any contingency under which a newly created GSM or SLL would be activated would thus likely involve instead the financially open, larger emerging-market countries of Southeast Asia—Thailand, Malaysia, Indonesia, and the Philippines. The low-income members and Brunei Darussalam would not meet the systemic-significance threshold or even likely need such liquidity; Cambodia, Laos, Myanmar, and Vietnam would instead qualify for low-income assistance.[47]

Under such a scenario, could the CMIM be mobilized in parallel with the GSM or SLL? As a regionalization of short-term, renewable, bilateral swaps, the CMIM could offer liquidity of a duration that would be comparable to some versions of the GSM proposal.[48] The borrowing capacity of each of the ASEAN-5 is about $11.4 billion under the CMIM, totaling about $57 billion. The Bank of Korea's borrowing capacity was $30 billion under the Federal Reserve swap during 2008–2009; its peak drawing was about $18 billion. CMIM resources are thus sufficient to make a serious contribution under such a contingency and they would have the advantage of regional ownership.

Three caveats would nonetheless apply. First, should contagion spill over from Southeast Asia to Northeast Asian creditors, the CMIM would be impaired. Under such a scenario, the universal risk pooling of the IMF would be essential. Second, ASEAN+3 would have to decide to make the CMIM available to provide liquidity for the banking and financial system, as opposed to the short- to medium-term balance of payments needs of the member states. Third, again, Southeast Asian governments would have to overcome resistance to the tiering of the members. A regionwide crisis would

46. IMF, "IMF Enhances Crisis Prevention Toolkit," press release no. 10/321, August 30, 2010, available at http://www.imf.org/external/np/sec/pr/2010/pr10321.htm; Truman (2006 and 2010, 5); John Lipsky, Assessing the Agenda for Economic Policy Cooperation, speech to the IMF Conference on Macro and Growth Policies in the Wake of the Crisis, Washington, March 7, 2011.

47. The Rapid Credit Facility, Stand-By Credit Facility, and Extended Credit Facility provide concessional finance for low-income countries, which the IMF revamped in mid-2009. See, IMF, "IMF Announces Unprecedented Increase in Financial Support to Low-Income Countries," press release no. 09/268, July 29, 2009, available at http://www.imf.org/external/np/sec/pr/2009/pr09268.htm.

48. Under the staff proposal, the SLL would have a repurchase period of 1¼ to 2 years and charges the same as the credit tranches. CMIM drawings have 90-day maturity and are renewable seven times for a total of up to two years; interest charges are based on LIBOR plus 150 basis points at the initial drawing and first renewal, rising 50 basis points with each renewal up to a ceiling of 300 basis points.

likely force the abandonment of any insistence on equal treatment by Southeast Asian governments. Regionalism would be better served by acknowledging the heterogeneity of its membership and accepting its practical implications when relating to multilateral institutions and other outside actors.

Contributing Partnership

One could imagine more ambitious cooperation still between CMIM and the IMF. Sussangkarn (2010) raises the possibility of creating associate memberships or contributing partnerships in the CMIM in order to allow Australia, New Zealand, and/or India to participate short of full membership status. While not sitting in the governing bodies of the CMIM, nor eligible to borrow from it, these countries could contribute funds during an activation and attend surveillance and other meetings through associated status. The concept could be taken a step further to allow countries outside the region, such as the United States, and multilateral institutions, such as the IMF, to participate. The possibility that the IMF might top up financial packages by bilateral lending to members of a regional arrangement and by lending directly to the regional arrangement itself has been floated within the Fund.[49]

One possible attraction of having the IMF lend to the CMIM, which would lend in turn to one of its members, would be to mobilize IMF resources without the stigma of the Fund. The proposal nonetheless raises several difficulties. First, the IMF would at the same time be relinquishing control over the terms on which the ultimate credit was advanced, which would be difficult for its Executive Board to swallow. Those terms would be decided by the governing bodies of the CMIM instead. Second, an amendment to the Articles of Agreement would be required to use the IMF's General Resources Account (GRA) for this purpose.[50]

There are also difficulties on the side of ASEAN+3 in IMF lending to the CMIM. First, as presently constituted, the CMIM is not in a position to receive a loan from the IMF or any other organization or country for that matter. The CMIM is a governance framework to jointly mobilize separately held reserves simultaneously and bilaterally. It is not a legal entity that can take on financial obligations on its own authority, such as the ADB or the IMF. Second, of course, using the CMIM as an intermediary in this way would require that ASEAN+3 abandon the IMF link.

Institutional Interdependence

The question as to how CMIM and the IMF should work together is central to the futures of both of them. The reason for this lies in the origins of Asian regionalism as a response to the policies of the IMF,

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49. IMF, *The Fund's Mandate—Future Financing Role*, background staff paper, March 25, 2010, 20, available at http://www.imf.org/external/np/pp/eng/2010/032510a.pdf.

50. But an amendment would not be necessary to draw on the non-GRA resources of the IMF for this purpose.

as part of the broader multilateral context (Henning 2008), and the IMF's response to this challenge. Consider first CMIM, then the IMF.

Asian financial regionalism has been deeply ambivalent about the IMF, motivated by resentment of the institution yet facilitated by its presence. The CMI was a substitute for the Asian Monetary Fund proposed by the Japanese Ministry of Finance in 1997, a compromise among those officials (both within Japan and East Asia more broadly) wanting to retain ties to the multilateral regime and those wanting autonomy. However, the IMF link, which survived the transition from CMI to CMIM, inhibited the use of these arrangements in the recent crisis, owing to the "stigma" of the Fund in Asia. At the same time, the CMIM is too small to be viable in a crisis without additional financing from other sources, the IMF being the leading candidate. So, if the CMIM is going to be used in the foreseeable future and evolve, it will have to specify the modalities for working with the IMF.

The IMF is similarly dependent on striking a strong working relationship with ASEAN+3, having lost substantial credibility in East Asia after the 1997–98 crisis. Rehabilitating it within the region depends on (a) modifying its facilities and programs to better match the preferences of Asian members, an area where it has made great strides, and (b) cooperating with regional institutions including the CMIM. Through the latter, it can have a regional partner, imparting local ownership of the program. The IMF has therefore wisely sought to do more of both.

GENERAL RECOMMENDATIONS

This paper has argued that the cooperation between the IMF and European authorities in recent programs in Central and Eastern Europe, Greece, and Ireland, while successful, is not likely to be easily replicated in other regions. The European numerical dominance at the IMF and the European identity of the managing director—a person intimately familiar with the decision making machinery of the European Union, euro area, and key member states—makes the effectiveness of this cooperation unique to Europe. The increasing number and size of regional financial arrangements, severity of financial crises, and political constraints on lending raise the costs of potential failure of cooperation between regional funds and the IMF. The IMF and regional financial arrangements should therefore arrange key elements of cooperation *in advance*, rather than negotiate them in the midst of crises as they have done in the past.

The G-20 finance ministers and summit meetings are the appropriate forums in which to discuss the relationship between the IMF and regional financial arrangements. The member states of the G-20 are the leading members of both multilateral and regional financial institutions. These governments were principally responsible for creating both sets of institutions, while giving insufficient thought to coordinating the mandates and work among them, and are thus principally responsible for solving the problems thus created. The G-20 cannot dispose of these matters itself, but the group can prepare decisions to be taken with the other members of the IMF and regional institutions to strengthen the connections between them.

The previous section offered several recommendations for ASEAN+3 and the IMF to cooperate with respect to surveillance and cofinancing. These could be extended to other regional financial arrangements. Specifically, regional funds in general could make qualification under the enhanced FCL and the PCL sufficient to satisfy their standards for disbursement and could disburse in parallel with IMF disbursements under a GSM or SLL, should one of those mechanisms eventually be introduced. The IMF should continue to support regional surveillance mechanisms, assist with their design, and share analysis with regional bodies. At the discretion of the member state undergoing review, in addition, the IMF could include regional secretariats in Article IV missions. The G-20 finance ministers and heads of government should advance proposals for their regional financial arrangements and the Fund to cooperate in these ways and encourage development of the GSM/SLL within the IMF.

The diversity of regional arrangements poses an issue for the IMF's cooperation with them. Specifically, Europe and East Asia exhibit substantially different regional preferences with respect to the size, timing, and conditionality attached to financing programs. Although the CMIM was designed as an ex post balance of payments facility to complement the IMF, few Asian countries are likely to require financing on this basis in the near future. Many Asian officials seek instead upfront commitments of large amounts of precautionary financing with little or no ex post conditionality to address systemic illiquidity in capital and banking markets or banking failures. European officials on the other hand face sovereign debt crises within the euro area, have imposed strong macroeconomic and structural conditions on an ex post basis, and are in the process of making their new facilities permanent while strengthening the fiscal rules and structural requirements of the monetary union. A couple of consequences follow from this divergence of regions. First, the principles and modalities of cooperation between the regions and the Fund must be general enough to embrace both types of regions yet also specific enough to provide meaningful guidance. Second, the IMF's role is likely to differ from region to region.

This section offers a set of basic principles that should guide the design and organization of the practical modalities for cooperation. It then offers a set of guidelines for regional financial arrangements and the IMF in four specific areas. The section concludes with recommendations for adapting institutions at both levels. Together, these proposals constitute what might be described as an Interinstitutional Agenda for the G-20.

Principles

The governments of member states of the regions and the IMF should be guided by three principles when considering the modalities of interinstitutional cooperation.

1. *Specialization along comparative advantage.* Regional institutions might have comparative advantage in local knowledge and ownership, for example, whereas the IMF has it with respect to universal risk pooling and insulation from backlash against austere conditionality. In crisis prevention and management, both sets of institutions can benefit from specialization according to comparative advantage and exchange. Because the operational capabilities and political characteristics of the regional facilities vary widely, though, the comparative advantage of the IMF will differ in each region.

2. *Prohibition against competition in critical areas*. Financial stability can be served by competition between institutions in some select areas, such as the provision of quality information, analysis, and forecasts. But in other areas, such as terms of lending and policy conditionality, competition would be corrosive, pushing solutions away from the optimal tradeoff between adjustment and financing. Left to their own devices, institutions will not necessarily compete only in the appropriate areas. Member governments should establish clear understandings about where competition is acceptable and where their regional and multilateral institutions should avoid it.

3. *Transparency*. Transparency varies significantly across regional arrangements and the IMF. Once relatively opaque, the IMF has become remarkably more transparent during the 13 years since the Asian financial crisis.[51] The CMIM, on the other hand, has lagged; ASEAN+3 finance ministers have published a summary of the agreement establishing the CMIM but not the agreement itself.[52] To diminish the likelihood of last-minute surprises in the negotiation of rescue packages, the terms and governance of multilateral and regional arrangements should be shared knowledge across both levels. Differences across facilities will tempt some parties to use the least transparent facility in a financial rescue. To facilitate public understanding and market credibility, regional financial facilities should be at least as transparent as the IMF. If differences persist, joint operations should adopt the disclosure protocol of the most, not least, transparent facility.

Guidelines

With these principles in mind, the regional financial arrangements and the IMF should develop a set of more specific guidelines for region-IMF cooperation. Involving obligations for both the IMF and regional financial arrangements, these guidelines would address multilateral review of regional arrangements, conditionality, private-sector involvement, and seniority, among other matters.

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51. In addition, central banks' swap agreements with the Federal Reserve are now posted at the time of the announcement of the agreement and drawings are reported weekly in Federal Reserve statistical releases. Federal Reserve, press release, Washington, May 11, 2010, available at http://www.federalreserve.gov/newsevents/press/monetary/20100511a.htm.

52. ASEAN+3 Finance Ministers, Joint Media Statement, Tashkent, Uzbekistan, May 2, 2010, available at http://www.aseansec.org/documents/JMS_13th_AFMM+3.pdf (accessed on August 30, 2010).

Multilateral Review. The international community has reviewed the consistency of regional financial facilities with countries' multilateral commitments in a completely ad hoc fashion or has failed to review them at all. There is no process or procedure through which such arrangements are evaluated formally. Some have been discussed by the IMF's Executive Board, but neither the CMI, CMIM, NAFA, nor EFSF, for example, have been the focus of sustained board review. Such reviews are needed in order to (a) identify any potential conflicts between these arrangements and the IMF and (b) anticipate any sticking points in negotiations over parallel financing. It is far better to identify such snags in advance than to encounter them unexpectedly during eleventh-hour bargaining in a financial crisis. *All* members of the IMF, including the United States and European member states, should agree to present their regional arrangements to the Executive Board for review.

Conditionality. Policy conditionality is of course a critical question in the relationship between the IMF and regional financial arrangements. While a relaxation of conditionality might be appropriate in some cases, the IMF and regional facilities must not ease the policy adjustments required of borrowers owing simply to competition with one another. Despite its acknowledged mistakes,[53] the IMF still holds a general comparative advantage over other regional and multilateral organizations in the specification of program conditionality. The IMF holds this position by virtue of (1) its analytic resources and the experience and expertise of its staff, (2) its global perspective, which confers a unique ability to draw lessons across countries and regions, and (3) the reluctance of regional neighbors to impose harsh conditionality even when that is necessary. Note as well that the IMF has adapted its conditionality on Stand-By Arrangements considerably over the last several years and has now introduced facilities that attach no and only light ex post policy conditions.[54] Until they develop their own capacities fully, regional financial arrangements are thus wise to import or borrow the IMF's conditionality.

However, the comparative advantage of the IMF in this respect should not be considered sacrosanct.[55] The Latvian program of 2008 represents a case where the preferences of the region prevailed over those of the IMF on an important element of policy adjustment. Most European Union officials argued against currency devaluation, which was favored by most leading members of the Fund staff and some members of the Executive Board. The managing director and responsible European commissioner

53. Most recently, the Independent Evaluation Office offers a penetrating critique of the IMF during the mid-2000s; see IEO, *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*, Washington, January 10, 2011. On its response to the Asian financial crisis of 1997–98, see the Fund's self-assessment in IMF, *IMF Supported Programs in Indonesia, Korea and Thailand,* 1999, Washington.

54. See, for example, Giorgianni (2009).

55. Note, for example, that the Organization for Economic Cooperation and Development's Working Party no. 3 was probably more influential than the IMF with respect to surveillance of industrial countries through at least the mid-1980s, and it continues to cooperate on surveillance with the Fund.

struck an agreement whereby the European position on this point was accepted and the European Union contributed a larger share of a larger overall package. The program has so far been quite successful (Åslund 2010). In principle, if a regional arrangement develops analytically sound, high-quality conditionality,[56] it ought to be able to substitute it for IMF conditionality. The critical considerations are the quality of the program, not the institutional origin, and the operational coordination of the work of the region with that of the IMF.

Bailing in the Private Sector. Recognizing a predominant concern in the resolution of recent and current financial crises, regional groups, their member states, and the IMF must avoid regulatory policies and guidance to the private sector that could undermine partners' efforts to stabilize countries. Regional arrangements must not encourage banks to reduce their exposures to countries that have borrowed from the IMF, for example. Nor should the IMF undercut arrangements that might be agreed within the regions in the future regarding private-sector involvement and sovereign debt restructuring. Depending on the structure of regional banking markets, regions might have a comparative advantage in private-sector involvement.[57]

Seniority. The IMF is unique among crisis-fighting facilities in the universality and diversity of its membership. It remains the final resort in efforts to combat regionwide and systemic financial crises. Whereas a regional financial facility can turn to the IMF if a regional operation fails, there is no fallback among international financial facilities if an IMF operation fails. The funding structure, terms of lending, and "revolving" nature of the Fund also distinguish it from most regional financial facilities.[58] All of the IMF's members have a strong, common interest in keeping the IMF at the pinnacle of the seniority ladder. The Executive Board, moreover, is unlikely to approve loans on any other basis than seniority. For these reasons, the IMF should retain the status of preferred creditor relative to other lenders and, when the time is right, this status should be formally recognized in its Articles.[59]

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56. Sound conditionality should be understood to mean policy adjustments that eliminate the financing gap in the medium term. Substantial analysis and debate surround the policy conditions that are appropriate for program lending, but that discussion is well beyond the scope of this paper.

57. The European Banking Coordination Initiative (Vienna Initiative) of early 2009 was important for stabilizing Central and Eastern Europe and represents a successful example of interinstitutional cooperation. See Åslund (2010, 67–73). On the other hand, European authorities have opposed the imposition of "haircuts" on the senior holders of Irish bank debt out of fear of contagion to other banks in the euro area.

58. For discussion of the IMF as the most senior preferred creditor, see Martha (1990); Rieffel (2003, 31–41, 68–75); Roubini and Setser (2004, 252–63); Gelpern (2005, 2007).

59. For discussion of the merits of formalizing the hierarchy of creditors, see Gelpern (2005) and Roubini and Setser (2004, 277–87). Although these analysts are doubtful about the feasibility of doing so across a broad range of creditors, public and private, formalizing the relative status of the IMF and other official institutions would be a narrower and far simpler exercise.

Ideally, these guidelines would be incorporated into a code of conduct governing the relationship between regional facilities and the IMF.[60] Such a code could accommodate the substantial variation among regional arrangements. While a code of conduct would still be desirable, the G-20 and the institutions should advance cooperation along each of these substantive points independently if agreement on a more formal code cannot be achieved. Broad acceptance of these guidelines even as "soft" obligations would represent progress in organizing cooperation between financial institutions.

The IMF is not in a position to dictate what is permissible in the way of regional financial agreements among its members. The purpose of the guidelines proposed here is not to give such jurisdiction to the Fund or to protect the bureaucratic interests of the institution. If a subgroup of member states wishes to create an "IMF-plus" regional arrangement and is willing to commit the resources to make it effective, then protecting the bureaucratic interest of the Fund cannot be a legitimate objection. But its comprehensive membership and cross-regional purview make the IMF the best institution in which to locate international consultation over regional arrangements. The practical inseparability of regional financing from IMF programs, at least for the moment, also makes the Fund the best location for coordination.

Institutions

The third component of this agenda addresses changes to the structures and mandates of the IMF and regional institutions.

First, regional financial arrangements should create clear and coherent mechanisms for *external representation*, in order to engage the IMF and other international financial institutions as regions. External representation of the euro area was largely an afterthought in the Maastricht Treaty and, while now established, is cumbersome and often contentious.[61] No explicit arrangement for representation has been agreed among ASEAN+3; the IMF must engage with CMIM through its members, none of which appear to be formally authorized by the group to speak for the region.

Second, for its part, the IMF and other international financial institutions should provide mechanisms for facilitating and *receiving the collective representation* of the regional institutions. The euro area is represented in the Executive Board under arrangements involving the EU presidency, Commission,

60. Elsewhere (Henning 2002, 2006), I have proposed adoption of such a code and the financial equivalent of Article XXIV of the GATT and Article 5 of the GATS. The conflict between the Japanese Ministry of Finance and US Treasury, among other key actors, over the proposal to create an Asian Monetary Fund in 1997 might have been avoided if there had been clearer ex ante criteria for regional financial arrangements that were acceptable to the international community. Formal criteria and principles could preempt similar conflicts in the future and provide firm guidance for the creation and evolution of regional arrangements and the IMF.

61. See, among others, Henning (1997, 2007a, 2007b); McNamara and Meunier (2002); Ahearne and Eichengreen (2007); Cœuré and Pisani-Ferry (2007).

and European Central Bank.[62] Though workable, the arrangement is complex and not at all clearly replicable in the case of other regions. Considerable streamlining is likely to be necessary if the Fund is to work simultaneously with a number of regions effectively. As this is done, care must be taken to avoid the double-veto problem, which arises when one member or a few members hold(s) a veto over a regional position, which in turn can veto a decision or otherwise stymie decision making in the IMF (Henning 1997, 55–56).

Third, *IMF governance* reform will have important bearing on the institution's ability to cooperate with regions. Quota shares and voting power are in the process of being shifted toward emerging markets, Asian members in particular.[63] The number of European seats in the Executive Board has recently been reduced by two in favor of emerging-market countries. When the present managing director departs, whenever that might be, the members of the IMF should appoint an Asian as his successor. Although more progress would be desirable, these reforms help to boost Asian confidence in and willingness to cooperate with the IMF. The members of the IMF and the G-20 should guard against weakening cooperation with Europe in the process, however, by establishing interinstitutional conventions on an ex ante basis.

Finally, the agenda raises the twin questions of the *eligibility to draw* on IMF resources and *membership* of regional organizations in the IMF. Some analysts have proposed that the IMF lend to regional arrangements for on-lending to member states. Presently, under the Articles of Agreement only national governments can be members of the Fund and draw on its resources. IMF lending to a regional financial arrangement would thus require an amendment to the Articles that would either provide borrowing eligibility to nonmembers or membership to qualifying regions. The former would be difficult to accommodate under the existing financial structure of the Fund. The latter, while raising the conceptually intriguing prospect of creating a "Fund of regional funds," goes well beyond what members would be now willing to contemplate. Nonetheless, as I have argued elsewhere, monetary unions that meet a high standard of cohesiveness and have adopted majority decision making should be accepted as members of the Fund, their member states having surrendered monetary sovereignty to the regional union (Henning 2006). Establishing unified membership for the euro area would certainly facilitate IMF

62. See, for example, Aubrechtová, Coussens, and Pineau (2010); Mahieu, Ooms, and Rottier (2005); Bini-Smaghi (2004); Thygesen (1997); Maystadt (1997); Polak (1997).

63. Quota and voting reforms agreed in 2008 came into effect in March 2011, while reforms agreed in late 2010 are undergoing ratification by member governments. When completed, the two stages will more than double total quotas to about $750 billion and shift roughly 6 percent of total votes toward emerging-market and developing countries. See, IMF, "The IMF's 2008 Quota and Voice Reforms Take Effect," press release no. 11/64, March 3, 2011; IMF, "Quota and Voting Shares Before and After Implementation of Reforms Agreed in 2008 and 2010," available at http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf.

coordination with it and should be one of the key objectives of the next round of reform discussions in both the IMF and European Union.

Membership for regions is closely related to the eligibility of member states for IMF financing. During the months leading up to the announcement of the 2010 rescue package for Greece, many officials in Europe sought to block drawings by Greece from the IMF. These officials preferred a wholly European solution in order to use the Greek crisis to strengthen European rules and institutions and, in some cases, to reduce the influence of outsiders. Despite the euro area's ultimate embrace of the Fund, the motivation of some in Europe in creating the ESM and a generally more robust macroeconomic and structural regime is to avoid having to turn to the IMF in the future. If members of the euro area were someday made ineligible for loans from the Fund by European conventions or rules, however, the rationale for separate memberships by the European governments would evaporate. Membership would then logically devolve from the member states to the euro area. The same would apply to other regional institutions barring Fund drawings by members. Member states should then accept the logical consequences by reforming the membership rules and governing arrangements of the Fund accordingly.

The principles, guidelines, and recommendations are offered here as elements of an Interinstitutional Agenda for consideration in the G-20 finance ministers and summit meetings, as well as within the regional and multilateral institutions themselves. National governments around the world have been building regional arrangements for several decades. With the CMIM and ASEAN+3 surveillance mechanisms now in place and Europe on the threshold of adopting a new permanent regime, now is the time to review and advance cooperation between regions and the IMF. The increasing size, complexity, and politicization of financial programs make ad hoc approaches to interinstitutional cooperation risky, especially for contingencies outside Europe. The international community will want to lay the basis for cooperation between regional facilities and the IMF during the present period of relative financial calm (at least outside Europe), before another wave of crises approaches.

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Table 1 Relationship between selected regional financial arrangements and the IMF

Name of fund	Contributing members	Purpose	Size	Relationship to the IMF
EU Balance of Payments Facility[a]	All EU members	Medium-term financial assistance for non-euro members of the European Union	€50 billion	Not formally linked to IMF programs, but organized jointly in recent cases; members obliged to consult EU before approaching IMF
European Financial Stabilization Mechanism (EFSM)	All EU members	To address severe disturbances beyond members' control; available to all EU members	€60 billion	Not legally linked to IMF programs, but linked as a matter of Council policy
European Financial Stability Facility (EFSF)	All members of the euro area	Preserve financial stability of monetary union via temporary financial assistance to euro area members (only) with exceptional problems beyond their control	€440 billion	Not legally linked to IMF programs, but linked as a matter of Council policy and members' domestic politics
Chiang Mai Initiative Multilateralisation (CMIM)	Ten member states of ASEAN plus China, Japan, South Korea, and Hong Kong	Address balance of payments and short-term liquidity difficulties; supplement existing international financial arrangements	\$120 billion	Beyond 20 percent of a country's allotment, disbursements must be linked to an IMF program; not yet activated
Arab Monetary Fund	Twenty-two Arab countries in North Africa and the Middle East	Broad, including correcting payments disequilibria and currency instability, through short- and medium-term credit facilities	\$2.7 billion	Ordinary loans are usually accompanied by an IMF program; other types of assistance are not necessarily linked
Latin American Reserve Fund	Bolivia, Colombia, Ecuador, Costa Rica, Peru, Uruguay, and Venezuela	Support members' balance of payments with credits and guarantees	\$2.34 billion	No role for the IMF
North American Framework Agreement	United States, Canada, and Mexico	Provide short-term liquidity support through 90-day central bank swaps, renewable up to one year	\$9 billion	US Treasury requires letter from IMF managing director

a. Formerly referred to as Medium-Term Financial Assistance (MTFA), which was created in 1988.

Sources: Henning (2002, 2009); IMF, background information on participating regional financial arrangements, Seminar on Regional Financial Safety Nets, October 8, 2010, http://www.imf.org/external/np/seminars/eng/2010/spr/100810.htm

APPENDIX A Selected Joint Programs of the IMF and Regional Financial Facilities, 1995–2010

IRELAND 2010
Total Amount: €85 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
International Monetary Fund (IMF) Extended Fund Facility (EFF) in the amount of SDR 19.5 billion (about €22.5 billion or US$30.1 billion; 2,322 percent of quota) approved on December 16, 2010. http://www.imf.org/external/pubs/ft/scr/2010/cr10366.pdf	Loan maturity of 7 to 8 years, available over a three-year period. http://www.imf.org/external/np/tr/2010/tr112810.htm Annual average interest rate about 5.8percent per annum, varying according to timing of the drawdown and market conditions. http://www.rte.ie/news/2010/1128/govtstatement.html Due to an increase in Ireland's quota, the average lending interest rate at the peak level of access will be 3.04percent on credit outstanding less than 3 years (down from 3.17 percent), and 3.85 percent on credit outstanding longer than 3 years (down from 4.04 percent). http://www.imf.org/external/np/country/2011/030311.htm	**Financial sector policies** 1. Recapitalize and deleverage private banks by implementing minimum capital requirement (core tier 1) of 10.5 percent for Irish banks (AIB, BOI, EBS, and ILP). 2. Implement Prudential Capital Assessment Review (PCAR). **Fiscal policies** 1. Reduce the deficit progressively to 3 percent of GDP by 2015. 2. Reduce public service pensions and pay for new public service employees over 4 percent and 6 percent respectively. 3. Implement a National Recovery Plan in 2011–2014 and mitigate adverse effects on growth and protect the most vulnerable. **Structural policies** 1. Facilitate adjustment in the labor market by reducing the national minimum wage by €1.00 per hour. 2. Reform the unemployment benefit system to provide incentives for an early exit from unemployment. http://www.imf.org/external/np/loi/2010/irl/120310.pdf (http://www.euractiv.com/en/euro-finance/eu-backs-irish-bailout-sketches-permanent-plan-news-500072)
European Commission (EC) European Financial Stabilization Mechanism (EFSM)—€22.5 billion European Financial Stability Facility (EFSF)—€17.7 billion Ireland will draw on EU and IMF financing broadly in a ratio of 2 to 1 in each disbursement throughout the program period. (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/118051.pdf)	Five-year loan with average maturity of 7.5 years for both EFSM and EFSF. Assistance under the EFSM and EFSF facilities will come through fixed rate bullet loans, with no amortization and the entire principal due on expiration. (http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp76_en.pdf) Loans by the EFSM had an effective interest rate of 5.7 percent. Loans by the EFSF had an average interest rate of 6.05 percent as of November 2010. First installment of the EFSM loan was disbursed at an interest rate of 5.51 percent (cost of borrowing for the EU, 2.59 percent, plus a margin of 2.925 percent, as decided by the Council). Interest receipts above cost of borrowing are returned to	Established jointly with the IMF (http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp76_en.pdf)

	EU Budget and distributed to the 27 EU member states at the end of each financial year. (http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp76_en.pdf)	
Bilateral loans UK—€3.8 billion Sweden—€0.6 billion Denmark—€0.4 billion (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/118051.pdf)	Three-year program, annual average interest rate about 5.8 percent per annum—rate varies according to the timing of the drawdown and market conditions. http://www.rte.ie/news/2010/1128/govtstatement.html Bilateral loans from the United Kingdom, Sweden, and Denmark are only set for activation in late 2012 and 2013. (http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp76_en.pdf)	Linked to the IMF/EU program
Ireland €17.5 billion from the nation's cash reserves and liquid assets. (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/118051.pdf)	n.a.	n.a.

GREECE 2010
Total Amount: €110 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF Stand-By Arrangement (SBA) in the amount of SDR 26.4 billion (€30 billion, 32 times quota) approved May 9, 2010 http://www.imf.org/external/np/sec/pr/2010/pr10187.htm	Three-year program, interest rate payable at around 3⅓ percent from 2010–2013[a] Repayment due within 3¼ to 5 years of disbursement http://www.imf.org/external/np/exr/faq/greecefaqs.htm See Table 8. Greece: Indicators of Fund Credit http://www.imf.org/external/pubs/ft/scr/2010/cr10110.pdf	Aims to tackle the twin issues of debt and competitiveness: **Fiscal policies** Reduce general deficit by 11 percent of GDP over three years to 3 percent by 2014 (compared with 13.6 percent in 2009). 1. Reduce government spending by 5¼ percent of GDP through 2013. Reduce pensions and freeze wages for three years, abolish Christmas, Easter, and summer bonuses, but with protection for the lowest-paid. 2. Curtail government entitlement programs; selected social security benefits cuts but maintain benefits for the most vulnerable. 3. Comprehensive pension reform; curtail provisions for early retirement. 4. Reduction in military expenditure. 5. Government revenues: increase of 4 percent of GDP through 2013 by raising value-added tax and taxes on luxury items, tobacco, and alcohol, among other items. 6. Strengthen tax collection and budget controls amounting to 1.8 percent of GDP.

		Financial sector policies Introduce Stability Fund for bank equity **Structural policies** Modernize public administration, strengthen labor markets and income policies, improve the business environment and divest state enterprises. http://www.imf.org/external/pubs/ft/survey/so/2010/CAR050210A.htm http://www.imf.org/external/pubs/ft/scr/2010/cr10110.pdf
European Commission €80 billion from Greece's 15 other euro area members, in proportion to shares in ECB capital, approved by Eurogroup May 2, 2010 and European Council May 7, 2010 (http://www.consilium.europa.eu/uedocs/cmsUpload/100502- percent20Eurogroup_statement.pdf) (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/114295.pdf)	Three-year program originally at a floating rate of interest, 3-month Euribor plus 3 percent, rising to a 4 percent spread for amounts outstanding beyond three years. Subsequently, the spread was reduced by 100 basis points and the maturity was extended from 3 to $7^1/_2$ years. (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119809.pdf) Each drawing subject to one-off service charge of 0.5 percent. Greece to draw on IMF and EC facilities in a constant 3:8 ratio throughout the program period. See Box 8 (http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf) See Box 1 http://www.imf.org/external/pubs/ft/scr/2010/cr10110.pdf	**Structural fiscal reforms for 2010** 1. Establish Financial Stability Fund (FSF) to provide equity support to banks. 2. Reorganize sub-central government, reducing number of local administrations and officials (Kalikrates). 3. Budget process (i) Shift to 3-year fiscal and budget strategy (ii) Top-down budgeting with expenditure ceilings for the state budget and multi-year expenditure estimates by line ministry (iii) Standard contingency margins (iv) Supplementary budgets for any overspending above the contingency (v) Commitment controls, effective with the 2011 budget. 4. National Actuarial Authority to assess whether the new system significantly strengthens long-term actuarial balance. See Table 3. Greece: Structural Conditionality for 2010 and Annex 1 (http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf)
European Central Bank (ECB)	*No loan terms:* Provide technical support in designing and monitoring the Financial Stability Fund (FSF). Backed by the international financing package, the FSF is designed to ensure adequate capitalization of the banking system to meet liquidity pressures. http://www.imf.org/external/pubs/ft/scr/2010/cr10110.pdf	n.a.

a. Surcharge of 200 basis points for large loans, paid on the amount of credit outstanding above 300 percent of quota. Credit above 300 percent of quota after three years is subject to a higher surcharge of 300 basis points. Also subject to commitment fee and service charge.

LATVIA 2008
Total Amount: €7.5billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SBA of SDR 1.52 billion (about €1.68 billion, US$2.35 billion, 12 times quota) Approved by the Board on December 23, 2008 See Box 5. Exceptional Access Criteria at http://www.imf.org/external/pubs/ft/scr/2009/cr0903.pdf	Available in installments disbursed over 27 months from December 2008 to March 2011, at exceptional-access SBA interest rates,[b] and repaid quarterly through February 2015. See Table 2. Latvia: IMF Financial Arrangements, Purchases and Repurchases, 1992–2016 and Sec. V. THE NEW SBA—RISKS AND IMPACT ON FUND FINANCES http://www.imf.org/external/pubs/ft/scr/2009/cr0903.pdf http://www.fm.gov.lv/?eng/ministry/questions_and_answers/#4	**Quantitative performance criteria** 1. Floor on net international reserves 2. Ceiling on net domestic assets 3. Floor on adjusted general government cash balance **Continuous performance criteria** Nonaccumulation of domestic and external debt arrears by the general government **Quantitative indicative target** Ceiling on general government wage bill. **Structural benchmarks** Second supplementary budget to redefine spending across ministries and agencies (March 31, 2009). 1. New controls over budget execution (December 2008) 2. Clarify procedures for emergency liquidity assistance (December 31, 2008). 3. Committee to Promote Wage Restraint (January 2009). 4. Review and, if necessary, revise regulations on emergency liquidity support (January 31, 2009) 5. Examination of the banking system (March 31, 2009) 6. Develop debt restructuring strategy (April 30, 2009) 7. Give Financial and Capital Market Commission (FCMC), central bank, and government powers to address systemic crisis (June 2009) 8. Amend budget law to strengthen transparency and accountability (June 2009) 9. Amend insolvency law to facilitate restructuring (2009). See Program Monitoring and Conditionality and Box 7 http://www.imf.org/external/pubs/ft/scr/2009/cr0903.pdf
European Union €3.1 billion through Medium Term Financial Assistance Approved by the Council on January 20, 2009 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/105383.pdf)	Available over 3-year period from January 20, 2009 to Q1 2011, with maximum average maturity of seven years. Interest rate is 3.125 percent for first two installments, 3.375 percent for third. See Memorandum of Understanding (http://ec.europa.eu/economy_finance/publications/publication13874_en.pdf) (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:079:0039:0041:EN:PDF)	Stem liquidity pressures, strengthen the banking sector, and correct fiscal imbalances Immediate measures to consolidate and sustain fiscal position, comprehensive bank resolution strategy, strengthen crisis management capacity for regulatory authorities, and structural reforms http://register.consilium.europa.eu/pdf/en/09/st05/st05498.en09.pdf
World Bank (WB) €0.4 billion Financial Sector Development Policy Loan (FDPL)	IBRD Loan at 6 month LIBOR for Euro plus 2 percent, with 10 year maturity, including 5 year grace period, commitment linked and with level repayment pattern. Front end fee: 1 percent of principal	**Financial sector solvency and liquidity** 1. Complete stress tests of the banking sector. 2. Prepare Strategic Contingency Plan for financial sector and increase bank capital buffers

	(http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000334955_20090903020259) Principal sum of first installment (€200 million) to be repaid in 10 equal payments (€20 million semi-annually) from 2015 till 2019. Second installment (€200 million) to be released in 2010. http://www.fm.gov.lv/?eng/ministry/questions_and_answers/#4	**Bank Resolution Framework** Amend the Credit Institution Law to align the legal framework for bank resolution, inter alia as per IMF-World Bank Global Bank Insolvency Initiative principles **Distressed Asset Management** 1. Amend Civil Procedure Law to simplify the mortgage foreclosure process. 2. Prepare guidelines for both mortgage and corporate debt restructuring, addressing, rules of engagement, legal framework, and elements of proper restructuring **Supervisory and Regulatory Framework** 1. Improve stress testing with multiple scenarios, revised credit risks module, and regular exercises 2. Introduce Prompt Remedial Action Framework (PRAF). 3. Strengthen prudential regulations for banks, for asset quality, capital adequacy, liquidity risk management, and credit risk management 4. Comprehensive review of consumer protection, regulations, and financial institutions; prepare action plan. (http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000334955_20090903020259)
Central banks of **Sweden**, **Denmark**, **Finland**, **Norway** and **Estonia** contribute €1.9 billion through swap agreements: Riksbank (€375 million), Danmarks Nationalbank (€500 million) See Swap agreement to alleviate the situation in Sweden's neighbors at (http://www.riksbank.se/upload/Dokument/rb_090911_eng.pdf) See Memorandum of Understanding (http://www.riksbank.se/upload/Dokument_riksbank/Kat_AFS/mou_est_lat_lit_swe.pdf)	n.a.	n.a.
European Bank of Reconstruction and Development (€0.1 billion); **Czech Republic** (€0.2 billion); and **Poland** (€0.1 billion) See International financial assistance and the Economic Stabilization Programme (http://ec.europa.eu/economy_finance/articles/financial_operations/article13872_en.htm)	n.a.	n.a.

b. Surcharges of 100 basis points over the basic rate of charge, adjusted for burden sharing, on credit outstanding exceeding 200 percent of quota, and 200 basis points on credit outstanding exceeding 300 percent of quota. Available at http://www.imf.org/external/np/sec/pr/2008/pr08345.htm

ICELAND 2008
Total Amount: €3.5 billion or $4.8 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SBA of SDR 1.4 billion (about US$2.1 billion, €1.6 billion, 12 times quota) Approved by the Board on November 19, 2008 See http://www.imf.org/external/np/sec/pr/2008/pr08296.htm	Available from October 2010 to January 2012, at standard rates of charge (for exceptional access), with full repayment due August 2015. See The New SBA http://www.imf.org/external/pubs/ft/scr/2008/cr08362.pdf	**Quantitative performance criteria** 1. Central government net financial balance consolidation. 2. Net credit of the Central Bank of Iceland to the private sector. 3. Claims of the Central Bank of Iceland to the central government 4. Raise policy interest rate to 18 percent. 5. Net international reserves of the Central Bank of Iceland. 6. New medium and long term external debt by central government 7. Central government short-term external debt 8. New external payments arrears contracted or guaranteed by central government from multilateral or bilateral official creditors **Structural conditionality and benchmarks** 1. Establish committee comprising representatives from Prime Minister's Office, Financial Supervisory Authority, Central Bank of Iceland, the Ministry of Finance and the Ministry of commerce to coordinate policy input chaired by the expert in charge of the bank restructuring process. 2. Capital injection into the three new banks, using tradable government bonds issued on market terms, to raise the capital ratio to at least 10 percent. 3. Published assessment of regulatory framework and supervisory practice, including rules on liquidity management, connected lending, large exposures, cross-ownership, and the "fit and proper" status of owners and managers. 4. Develop strategy for asset recoveries. 5. Review the business plans of each of the new banks by the Financial Supervisory Authority (FME). 6. Conduct valuations of the old and new banks using a methodology in accordance with international best practice by International Auditing Firm. *Complete by end-January 2009.* 7. Prepare plans to embark on medium-term fiscal consolidation. *By end-2008*. Improve the medium-term fiscal framework. *By end-June 2009*. http://www.iceland.org/info/iceland-imf-program/letter-of-intent/
Governments of **Denmark**, **Finland,** and **Sweden** and **Norges Bank** (with government guarantee)— €1.775 billion ($2.5 billion)[c] http://www.sweden.gov.se/sb/d/11760/a/129242	12-year loan to be disbursed in four equal tranches. Installment payments of principal are deferred for first five years, during which time interest will be paid quarterly. At end of five-year period, principal amount to be repaid in equal quarterly installments for remainder of the loan period.	Tied to IMF's reviews of the Icelandic economic program. (http://www.vi.is/files/2010.04.29%20The%20Icelandic%20Economic%20Situation%20-%20April_713899532.pdf)

	Loans bear variable (floating) interest based on three-month Euribor rates, plus a 2.75 percent premium http://www.ministryoffinance.is/news/nr/12286	
Poland $200 million (€125 million)	Loan's overall maturity of 12 years, with a five-year grace period, disbursed in three equal tranches and denominated Polish zloty (PLN). Interest rate is a 2 percent margin over the rate on Polish Treasury Bonds until 31 December 2015, a 1.3 percent margin thereafter. (http://www.vi.is/files/2010.04.29%20The%20Icelandic%20Economic%20Situation%20-%20April_713899532.pdf)	Tied to second, third and fourth reviews of Iceland's IMF program, with payment of each tranche conditional on the approval of the respective review. (http://www.vi.is/files/2010.04.29%20The%20Icelandic%20Economic%20Situation%20-%20April_713899532.pdf)
Faroe Islands $50 million (300 million Danish krones) (http://www.vi.is/files/2010.04.29%20The%20Icelandic%20Economic%20Situation%20-%20April_713899532.pdf)	A "long-term agreement on favorable terms" http://eng.fjarmalaraduneyti.is/Frontpage-fjr/nr/11897	Not based upon IMF economic program. (http://www.vi.is/files/2010.04.29%20The%20Icelandic%20Economic%20Situation%20-%20April_713899532.pdf)

c. Separately, the governments of the United Kingdom and the Netherlands extended credits in the amount of €2.6 billion at 3.3 percent and €1.3 billion at 3.0 percent, respectively, to resolve a dispute over outstanding deposits in Icesave.

HUNGARY 2008
Total Amount: €19.8 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SDR 10.5 billion (about €12.3 billion or US$15.7 billion) or 1,015 percent of Hungary's quota Approved by the Board on November 6, 2008 http://www.imf.org/external/np/sec/pr/2008/pr08275.htm	Standard Stand-By Arrangement terms; available over 17 months[d] Average interest rate at 2.6 percent as of January 12, 2009. (http://www.imf.org/external/pubs/ft/survey/so/2009/INT011209A.htm) See Box 4. Hungary: Exceptional Access Criteria http://www.imf.org/external/pubs/ft/scr/2008/cr08361.pdf	**Quantitative performance criteria** 1. Floor on central government system primary cash balance. 2. Band around the 12-month rate of inflation of consumer prices. 3. Floor on change in net international reserves. 4. Nonaccumulation of external debt arrears. **Quantitative indicative target** Ceiling on the total debt stock of the central government system. **Structural criterion and benchmarks** 1. Pass fiscal responsibility law. 2. Grant the Hungarian Financial Supervisory Authority (HFSA) special remedial powers to accelerate the resolution of any failed bank. See Box 5. Hungary: Stand-By Arrangement http://www.imf.org/external/pubs/ft/scr/2008/cr08361.pdf

European Commission €6.5 billion under medium term balance of payments assistance Approved by the Council on November 18, 2008 (http://register.consilium.europa.eu/pdf/en/08/st14/st14953-re04.en08.pdf)	Maximum average maturity of five years. (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32009D0102:EN:NOT)	**Fiscal consolidation** Achieve deficit target of 2.6 percent of GDP in 2009 **Fiscal governance reform** Adopt a planned fiscal governance reform, including medium-term numerical rules and independent fiscal bodies. **Financial sector regulation and supervision** 1. Support for the domestic banking sector in line with agreed EU principles 2. Adopt measures to carefully monitor banks' funding needs 3. Strengthen financial sector supervision 4. Seek an agreement with commercial banks that facilitates the restructuring of household debt by means of adjustments in the maturity and repayment schedule **Structural reforms** Reorient Labor Market Fund from passive to active labor policies http://ec.europa.eu/economy_finance/publications/publication13495_en.pdf
World Bank/IBRD Loan[e] € 1.0 billion (US$ 1.4 billion equivalent) (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/08/21/000334955_20090821020853/Rendered/PDF/471940PJPR0P11101Official0Use0Only1.pdf)	8.5 years final maturity Interest rate: LIBOR (Euribor) + 2 percent Front end fee: 1 percent	**Structural measures and fiscal consolidation** 1. Comprehensive financial stability program to address financial risks and ensure a resilient banking system. 2. Pension reforms, designed to stabilize public pension expenditures and prepare the payout phase o f the young private system 3. Health reforms, designed to control health expenditures and reduce the health deficit while ensuring access to health care.

d. Stand-By Arrangements are repayable over 3¼ to 5 years and subject to surcharges of 100 basis points over the basic rate of charge (adjusted for burden sharing) on credit outstanding exceeding 200 percent of quota, and surcharges of 200 basis points on credit outstanding exceeding 300 percent of quota. Available at http://www.imf.org/external/pubs/ft/scr/2008/cr08361.pdf

e. A Development Policy Loan with different terms than other creditors. While the IMF and EU focus primarily on support for bank-liability funding continuity and liquidity management (as well as targeted short term capitalization), the World Bank focused on medium-term and forward looking measures and credit portfolio risks. See COLLABORATION WITH THE IMF AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS, (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/08/21/000334955_20090821020853/Rendered/PDF/471940PJPR0P11101Official0Use0Only1.pdf)

BRAZIL 1998
Total Amount: $41.5 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SDR 13,025 million (about US$18.1 billion) equivalent to 600 percent of Brazil's IMF quota, of which — 70 percent, or SDR 9,117 million (about US$12.7 billion), under the Supplemental Reserve Facility (SRF)[f] — 30 percent, through a Stand-By Arrangement Activated NAB for the first time[g] Approved by the Board on December 2, 1998 http://www.imf.org/external/np/sec/pr/1998/pr9859.htm	SRP credit at 300 to 500 basis points above SBA charges; repayment within 1 to 1½ years 3-year stand-by credit on standard terms http://www.imf.org/external/np/sec/pr/1998/pr9859.htm	**Doubling of basic lending rate to 43½ percent** **Privatization of state entities** **Expenditure-saving and revenue-raising measures of more than 3 percent of GDP in 1999** 1. Cuts on current goods and services and capital spending, sparing health, education and social protection. 2. Increase in tax on financial transactions (CPMF) from 0.2 percent to 0.3 percent; temporary surcharge of 0.08 percent for 1999 3. Increase in tax rate of corporate turnover (COFINS), from 2 to 3 percent 4. Increase contributions to the public sector pension plan by 9 to 20 percent, depending on income 5. Widen the bases of existing taxes and contributions http://www.imf.org/external/np/loi/111398.htm
Inter-American Development Bank (IDB) US$4.5 billion http://www.imf.org/external/np/sec/pr/1998/pr9859.htm	First tranche of loan Amortization period: 5 years Grace period: 3 years Disbursement period: 16 months Interest rate: Six-month LIBOR plus 400 basis points Credit fee of 0.75 percent Special fee: 1 percent in advance (http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=388131)	**Fiscal and social services** 1. Ensure that public spending on federal programs to deliver basic social services targeted to low income groups remains at adequate levels while improving efficiency 2. Support the government in carrying out and deepening the reforms under way in the education, health, labor and social welfare sectors; and 3. Provide fast-disbursing funds to support the measures taken by the government during the macroeconomic stabilization process.
World Bank US$4.5 billion (http://lnweb90.worldbank.org/OED/oeddoclib.nsf/DocUNIDViewForJavaSearch/1C0BE9078C65087085257236007A8A55/$file/lac_pensions_wp.pdf)	First tranche of loan, same as IDB	Linked to WB's existing pension reform and IDB program (http://lnweb90.worldbank.org/OED/oeddoclib.nsf/DocUNIDViewForJavaSearch/1C0BE9078C65087085257236007A8A55/$file/lac_pensions_wp.pdf)

Bilateral guarantees of BIS credits: $14.5 billion from 20 countries, including $5 billion from the **United States** and $7.55 billion from **European Union** member states (http://congressionalresearch.com/98-987/document.php?study=BRAZILS+ECONOMIC+REFORM+AND+THE+GLOBAL+FINANCIAL+CRISIS)		

f. Countries borrowing under the Supplementary Reserve Facility (SRF) were expected to repay within 1 to 1½ years of the date of each disbursement, although the Board had the authority to extend this period for repayment by up to one year, at which point the borrower was obligated to repay. During the first year from the date of approval of financing, borrowers paid a surcharge of 300 basis points above the rate of charge on IMF loans, which averaged approximately 4.7 percent in 1997. This rate was to be increased by 50 basis points at the end of that period and every six months thereafter until the surcharge reached 500 basis points (available at http://www.imf.org/external/np/sec/pr/1997/pr9759.html).

g. Through the New Arrangements to Borrow (NAB), participating countries contributed the following amounts (in SDR): Australia—236,700,692, Austria—120,395,908, Belgium—282,579,715, Canada—407,943,415, Denmark—108,414,762, Deutsche Bundesbank—1,039,437,485, Finland—99,355,846, France—753,058,869, Hong Kong Monetary Authority—99,355,846, Italy—517,819,292, Japan—1,039,437,485, Kuwait—100,816,962, Luxembourg—99,355,846, The Netherlands—384,565,569, Norway—111,921,438, Singapore—99,355,846, Spain—196,373,908, Sveriges Riksbank—251,019,623, Swiss National Bank—454,991,331, United Kingdom—753,058,869, United States—1,961,401,293. **Total—9,117,360,000.**

KOREA 1997
Total Amount: $55 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SDR 15.5 billion (about US$21 billion, 20 times quota) (a) SBA— SDR 4.1 billion (b) SRF—SDR 11.4 billion Approved by the Board on December 4, 1997 https://www.imf.org/external/np/sec/pr/1997/pr9755.htm	Three-year stand-by credit and SRF at standard terms and charges	**Monetary and exchange rate policy** 1. Increase money market rates to stabilize markets 2. Grant central bank independence with price stability as main mandate **Fiscal policy** *Revenue* 1. Increase transportation tax and the special excise tax 2. Widen the basis of corporate tax, income tax, and the value-added tax (VAT) *Expenditure* Reduce current expenditures and net lending, and low priority capital **Financial sector restructuring** 1. Set up strong and independent supervisory agency with jurisdiction over all banks, securities firms, and insurance companies 2. Consolidate prudential supervision and increase transparency of financial sector 3. Externally certified, consolidated corporate financial statements **Other structural measures** 1. Liberalize trade and capital account 2. Reform corporate governance and corporate structure

		3. Reform the labor market https://www.imf.org/external/np/oth/korea.htm
World Bank US$10 billion under Economic Reconstruction Loan (ERL), including: $3 billion, approved 12.23.1997 $2 billion Structural Adjustment Loan (SAL), 3.27.1998[h] $2 billion SAL, 10.23.1998[h] https://www.imf.org/external/np/sec/pr/1997/pr9755.htm	Ten-year loan with 5 years' grace, at 6-month LIBOR plus 1 percent. Service charge at 2 percent of principal.[h] LIBOR plus 0.75 percent plus service and commitment charges.	**Financial sector and corporate governance reforms** 1. Introduce remedial measures for merchant banks, decapitalized commercial banks and the Korea Asset Management Corporation 2. Improve supervisory capacity 3. Suspend new subsidized loans to special firms or activities 4. Consolidate deposit insurance agencies by maintaining the principle of the "real name system" 5. Install new requirement for the conglomerates to prepare consolidated balance sheets; **Labor markets and social safety nets** Introduce noncontributory pension (NPS) for persons aged 65 to include wider pension coverage and improved fund management of the NPS fund (http://lnweb90.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/73C2DF265425669B85257236007ABFFD/$file/south_korea_pensions_wp.pdf)
Asian Development Bank (ADB) US$4.015 billion http://www.adb.org/Documents/News/1997/nr1997142.asp	Seven-year maturity at LIBOR plus ADB's standard spread (0.40 percent).[i] Commitment charge of 0.75 percent per year. http://www.adb.org/Documents/News/1997/nr1997142.asp	**Structural and financial sector reforms** 1. Establish an independent Financial Supervisory Agency 2. Independence of the Bank of Korea 3. Develop equities and bond markets 4. Improve corporate accounting and disclosure standards http://www.adb.org/Documents/News/1997/nr1997142.asp
Japan $10 billion,[j] of which $5 billion swap agreement $3.35 billion New Miyazawa Initiative (NMI) $1 billion yen loan http://www.mof.go.jp/english/hyouka/14nendo/sougou1-2.pdf	Central bank dollar-won swap agreement; medium-term yen credit (http://www.mof.go.jp/english/hyouka/14nendo/sougou1-2.pdf)	n.a.

h. (www.wds.worldbank.org/external/default/WDSContentServer/WDSP/EAP/2004/12/15/D9C51F9BB505742B85256F0300132EB0/1_0/Rendered/PDF/D9C51F9BB505742B85256F0300132EB0.pdf)
i. For $15 million technical assistance loan, the amortization period was 15 years, including a grace period of 3 years.
j. The initial announcement included $20 billion in a bilateral second line of defense from twelve countries, available so long as Korea adhered to IMF conditions. See https://www.imf.org/external/np/sec/pr/1997/pr9755.htm. Of these, only Japan disbursed.

THAILAND 1997
Total Amount: US$ 17.2 billion

Institution and Loan Amount	Terms: Maturity, Interest Rate	Conditionality
IMF SDR 2.9 billion (about US$3.9 billion) or 505 percent of quota Approved by the Board on August 20, 1997 http://www.imf.org/external/np/sec/pr/1997/pr9737.htm	Stand-by credit over 34 months; standard terms http://www.imf.org/external/pubs/ft/op/op178/OP178.pdf	**Fiscal consolidation** *Revenue* 1. Increase in VAT rate from 7 to 10 percent 2. Introduce excise on beer, spirits, and tobacco 3. Impose import duty on cars and luxury goods *Expenditures* 1. Budget cuts in administration, defense and security, 2. Community and social services 3. Transport and telecom http://www.imf.org/external/np/loi/1125tab2.pdf http://www.imf.org/external/np/loi/1125ann.pdf **Comprehensive restructuring of financial sector** **External current account adjustment** **Monetary and wage restraint** **Structural reforms** Support privatization and civil service reform http://www.imf.org/external/np/loi/081497.htm
Asian Development Bank US$1.2 billion - Financial Markets Reform Program Loan (FMRPL), Social Sector Program Loan (SSPL), and Export Financing Facility (EFF) totaling $850 million and partial credit guarantee of $950 million - $50 million disbursed under EFF, prepaid in September 1999, and undisbursed portion of $106 million under the Rural Enterprise Credit Project (RECP) was cancelled in October 1999 http://www.oecd.org/dataoecd/26/29/35273476.pdf	Varies by facility; the FMRPL is amortized over 15 years, with a grace period of 3 years. Standard interest rate with commit-ment fee of 0.75 percent per year http://www.adb.org/Documents/RRPs/THA/rrp-R26497.pdf	**Market regulation and supervision** 1. Resolution on NPLs and rehabilitation of finance companies 2. Autonomy of Securities and Exchange Commission 3. Delineate supervisory and regulatory authority 4. Accountability of the Stock Exchange of Thailand and transparency of its operation **Develop risk management and markets** 1. Introduce hedging mechanism 2. Develop bond and equities markets 3. Develop pension and provident funds http://www.adb.org/Documents/RRPs/THA/rrp-R26497.pdf
World Bank US$1.5 billion http://www.imf.org/external/np/sec/pr/1997/pr9737.htm	Initial amount of package— 3-year loan of US$15 million approved on September 11, 1997 Commitment charge at 0.75 percent per annum on the principal not withdrawn from time to time. Interest and other charges payable in arrears on February 15 and August 15 in each year	**Financial sector reform** 1. Support for Financial Sector Restructuring Authority of Thailand (FRA) on resolution process for finance companies. 2. Restructure and recapitalize core financial institutions 3. Implement infrastructure and institutional changes 4. Develop capital markets by removing tax impediments to bonds and derivatives market development; real time delivery versus payments settlement system project (in two phases); and develop secondary bond market.

	Note: Interest payment on principal not yet determined in the loan document (http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000114496_2004090201382162)	**Institution Building** 1. Introduce a comprehensive supervisory framework by revising the Central Bank Act and the Financial Institution Act 2. Introduce deposit insurance scheme 3. Strengthen supervision of insurance companies 4. Improve legislative framework for debt collection and security enforcement through the enactment of Economic Law Reform program 5. Address losses on debt restructuring by supporting the Financial Insurance Development Fund (FIDF) (http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000090341_20040603100553)
Bilateral loans: **Japan**, $4 billion; **Australia**, **Hong Kong**, **China, Malaysia**, **China**, and **Singapore**, $1 billion each; **Brunei**, **Canada**, and **Korea**, $500 million each http://www.oecd.org/dataoecd/26/29/35273476.pdf	In the case of Japan, Overseas Economic Cooperation Fund's (OECF) yen loan at around 2.7 percent to 3.5 percent. http://www.oecd.org/dataoecd/26/29/35273476.pdf	Informally tied to the IMF program

MEXICO 1995
Total Amount: US$50.8 billion

Institution and Loan Amount	IMF Terms: Maturity, Interest Rate	Conditionality
IMF SDR 12.1 billion (about US$17.8 billion), 688 percent of quota Approved by the Board on February 1, 1995 http://www.imf.org/external/np/sec/pr/1995/pr9510.htm	18-month stand-by credit http://www.imf.org/external/np/sec/pr/1995/pr9510.htm Maturity of up to 5 years. Interest rate at 5.25 percent, annual 0.25 percent commitment fee and a 0.50 percent usage fee on each drawing. http://www.gao.gov/archive/1996/gg96056.pdf	**Reduce external current account deficit** From 8 percent of GDP in 1994, to 4 percent of GDP in 1995 and 3 to 3½ percent of GDP in 1996 **Lower inflation** From over 30 percent in the first quarter of 1995 to around 9 percent in the fourth quarter **Wage policy, price, and credit restraint** 1. Significant reduction in real wages on average 2. Limit increase in public sector tariffs during 1995 to about 10 percent, or about two thirds of the expected average rate of inflation. **Monetary reforms** 1. Limit growth of net domestic assets of Bank of Mexico to MEXN$10 billion in 1995 compared with MEXN$60 billion in 1994. 2. Credit expansion by Bank of Mexico at 17 percent of the end-1994 monetary base, less than nominal GDP. 3. Further tightening in response to any unforeseen pressures in the exchange market.

		Substantial depreciation of the exchange rate Bank of Mexico to support the floating exchange rate regime through limited intervention in the foreign exchange market http://www.imf.org/external/np/sec/pr/1995/pr9510.htm
United States US$20 billion http://www.imf.org/external/np/sec/pr/1995/pr9510.htm	Currency swaps and loan guarantees The rates for medium-term swaps were 7.8 percent for funds disbursed in March 1995, 10.16 percent for funds disbursed in April and May, and 9.2 percent for funds disbursed in July. http://www.gao.gov/archive/1996/gg96056.pdf	1. Satisfy economic, monetary, and fiscal conditions of the IMF program, as well as meet certain reporting requirements. 2. Oil Agreement assured repayment through attachment of proceeds from Mexican oil exports. 3. Provide financial plan, and annual updates of the plan, submit to Treasury a written description of financial developments, the intended use(s) of the proposed funds, and how such use(s) are consistent with the financial plan http://www.gao.gov/archive/1996/gg96056.pdf
G-10 central banks[k] through Bank for International Settlements—US$10 billion http://www.imf.org/external/np/sec/pr/1995/pr9510.htm	Credit line; never activated http://www.imf.org/external/np/sec/pr/1995/pr9510.htm	n.a.
Commercial banks US$3 billion http://www.imf.org/external/np/sec/pr/1995/pr9510.htm	Never activated	n.a.

k. Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.